

**NEW ZEALAND  
AND ITS  
SMALL ISLAND NEIGHBOURS**

**A Review of New Zealand Policy toward  
the Cook Islands, Niue, Tokelau, Kiribati and Tuvalu**

**I.G. BERTRAM AND R.F. WATTERS**

**INSTITUTE OF POLICY STUDIES  
VICTORIA UNIVERSITY OF WELLINGTON  
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PART ONE:

BACKGROUND AND BASIC ISSUES



## CHAPTER ONE

### NEW ZEALAND IN THE SOUTH PACIFIC

"It is as a South Pacific power that we will be judged." (Senior Official, Ministry of Foreign Affairs)

"If we can establish ourselves as a beneficent centre of the South Pacific region, I believe that we shall be closer to finding our place in the world, and that we shall be able to look to our international relations with more realism and hence more confidence." (F.M. Corner)

"If we don't get our policies in the South Pacific right we are hardly likely to get anything right." (Senior Official, Ministry of Foreign Affairs).

#### 1.1 Introduction

It is just over 20 years since Frank Corner published his landmark paper "New Zealand and the South Pacific". The paper succinctly presents much of the new, and generally enlightened, thinking of the Ministry of Foreign Affairs at the time, coming during a period of intense introspection over our role in the South Pacific, our policies of decolonisation in Western Samoa and the Cook Islands, and concern for our standing at the United Nations. Corner argued persuasively for a major new basis and direction for New Zealand foreign policy. In this policy, he said the South Pacific should be the centre piece:-

"What I put forward for your consideration is that New Zealand is primarily a Pacific power (by which I mean specifically a South Pacific power - not an Asian power or even a South East Asian power); that New Zealand will be affected increasingly by developments in the area to which it naturally belongs; and that if we do not accept the implications of our geographic and historical situation and of the dual racial origin of our people, our foreign policy can not be fully realistic, consistent or effective. I shall argue that the conditions for such a New Zealand policy now exist, as unfortunately they did not in the 19th century; and that the hard experience, still incomplete, of working out a relationship between New Zealand and Polynesian peoples in the Pacific, as well as between Maori and Pakeha at home, is increasing both our capacity and our moral right to play a unique and necessary role in our own area....."<sup>1</sup>

Corner does not argue for a foreign policy of parochialism, for one that concentrates "exclusively on our own parish would be as ill balanced as one that assigns no place to it at all". We must indeed pursue trade opportunities throughout the world, for economic health is the surest foundation for a stable and vigorous foreign policy. New Zealand has very limited ability to influence the politics of the greater part of the world.

While problems in the South Pacific rarely compare in gravity or complexity with those of Africa and Asia, they are, nonetheless "uniquely our problems" and we must "beware of spending all our energies, ability and money on problems we can do very little about while ignoring those which we can and should deal with. I hold it vital that we should develop our relationship with the peoples of our own South Pacific area, with Australia and with much of the Atlantic Community".<sup>2</sup> Twenty years later these still appear to be the priority areas, though there has been perhaps some increased recognition of the importance of Pacific rim countries, including East Asian and Asean nations, of trade with the Middle East and of global defence strategy. But it is clear that the South Pacific should be one of the principal regions in the world requiring consistent in depth analysis by New Zealand.

The authors of this report, a review of New Zealand policies to the small states of the South Pacific, fully agree with these sentiments and goals. In the mid 1980s they are every bit as vital as they were in the early 1960s and the requirements are now even more pressing. At the outset of this study we should declare our assumptions. These are:

- (1) That policies of mutual respect, friendship and understanding should exist between New Zealand and the island states.
- (2) That New Zealand's policies should be realistic yet liberal and humane.
- (3) That New Zealand should recognise that we are a part of the South Pacific.
- (4) Within New Zealand it is essential to develop policies designed to develop a harmonious multicultural society; the integration of different yet separate culture adds to the overall richness of our total society.

These assumptions and aims are identical or consistent with those of Corner. Widespread agreement no doubt exists for them but it is important consistently to strive to fulfil these aims and work through the implications. In 1984 it is clear, as we argue below, that we still fall somewhat short of achieving these goals. Moreover, important differences are likely to occur over interpretations of "realistic", "humane" etc. While Corner emphasises that our policies should be tailored to take account of our limited resources as a nation, which clearly impose a major constraint on what can be achieved, "realism" also has other implications.

Realism implies that planning the constitutional and political development of island nations should not be done in a vacuum, or as an autonomous exercise carried on largely separately from the economic and social basis of island life (see Chapters 3, 6, 7 and 8). Thus it came as no surprise to discover during the study that a political elite has evolved in the island nations and to recognise that this was a sociological factor of profound importance as far as the likely future direction and type of government are concerned.

Realism also suggests, for example, that one should consider the possibility of feedback influences from one aspect of the economy on other aspects and on the way the economy as a whole functions. Thus the effect of massive aid inflows may not simply be the addition of scarce capital to islands' revenue on top of existing resources, enabling more productive activity to occur as well as sustaining comfortable living standards; the aid inflow may in fact "crowd out" productive activity (Chapters 5, 6, 7). Of course these examples of "realism" imply nothing more than the need to carry out a



careful empirical study to collect the data, to gather the facts as the basis of the whole approach. When this is done, as has been attempted in this study, the importance of the interconnectedness of things becomes apparent.

"Realism" does however also have two further connotations. The gathering of up to date, relevant data reveals that it is no longer adequate to analyse the contemporary societies and economies of the Pacific by the use of yesterday's models. The use of out of date models or standardised doctrines (e.g. "viability", "development", "dependence" etc.) could only produce misleading results when applied to these unique contemporary societies. Tools adequate to the new situation must be designed, so we have no apology to make for introducing a new approach in an attempt to deal with a new social formation based on the migration process, the massive flow of aid, remittances and other invisibles and the dominant role of government. We use the word "MIRAB" to describe this new model, with the individual letters standing for the factors that shape the new economy and society (MI = migration process, R = remittances, A = aid dependent, B = bureaucracy in the place of a private sector).

Secondly, "realism" also warns us of the perils of ideology. The peculiarities of time, place and process are of great importance in planning the future of Pacific peoples; what might be perfectly good doctrine in East Africa, say, in the 1950s, leading to the evolution of a self governing and then independent nation state, might be dangerous doctrine when applied to a tiny South Pacific community in which economic and social forces are at work binding it ever more closely to New Zealand. We need to keep a basic value position (for without it there are no goals to aim for) without becoming excessively ideological or doctrinaire. Indeed it can be asserted that the considerable measure of success that New Zealand has enjoyed in its South Pacific policies in the past has been due to a considerable measure of pragmatism.<sup>3</sup>

With respect to our fourth assumption above, it is clear that 20 years after Corner wrote we still have a very long way to go in "the hard experience" of "working out a relationship" both between Maori, Pacific Islanders and Pakeha at home and with Pacific Island peoples of the South Pacific. Not only is it imperative that we build a harmonious multi cultural society within New Zealand for the sake of all members of that society, it is also clear that events and trends within New Zealand cast a long shadow beyond our shores – a shadow that falls across the South Pacific and which is noticed in distant lands.<sup>4</sup> Internal events have external consequences. The attitude of Pacific Islanders and of others overseas, are affected by many issues: our migration policy, Treaty of Waitangi controversies, attitude to overstayers, our view on a nuclear free South Pacific, Anzus and the Western Alliance, our response to natural hazard disasters in the region, and many other issues. Again this illustrates the "interconnectedness of things". And New Zealand's handling of such issues critically affects its "capacity" and "moral right" to play a major role in the South Pacific.

Before we consider New Zealand's current policies to the South Pacific we need to review international and regional trends that have influenced New Zealand thinking.

## 1.2 International and Regional Background

New Zealand, itself an island nation, belongs in the "world of islands" which makes up the South Pacific. Geographically and historically our links with the peoples of the South Pacific are clear, just as their links with us are equally clear, though culturally our

destiny has at times been seen to lie elsewhere. Indeed, New Zealand has often been ambivalent about the South Pacific and our foreign policy has swung somewhat like a pendulum, sometimes towards the Pacific, sometimes towards Asia, and almost always moving in a way affected by Europe.

As Corner has remarked, it is not without significance that the first flowering of New Zealand nationalism, occurring when New Zealand was still a small dependent colony, was expressed in terms of New Zealand's place in the South Pacific. In the 19th century New Zealand colonists and leaders such as Grey, Vogel and Seddon knew their own interests and assumed rightly that those interests lay in their own part of the world.<sup>5</sup> Even if their attitudes to the South Pacific were crudely expansionist, sometimes racist, and blatantly imperialistic and they saw their country as a "Britain of the South", they did at least have a clear view of New Zealand's role in the world. Later, from the turn of the century to almost World War II, New Zealand seemed to lose her earlier robust self confidence. Brushed aside by Britain in Seddon's day and singularly unsuccessful in keeping out the disastrous influenza epidemic from Western Samoa in 1918, our brash attempts at modernisation, whether under Colonel Gudgeon in the Cooks or Sir G.S. Richardson in Samoa, achieved little success, leading in the latter case only to the passive disobedience of the Mau campaign, the disastrous riot of 1929 and shelling of innocent villages which destroyed much Samoan faith in our trusteeship as well as undermining our self confidence for two decades. New Zealanders ceased, for over a generation, to believe that we had any purposive role to play in the world save that of a faithful mindless child of the mother country or as a junior sibling of Australia. Our "sense of littleness" and passive policies followed naturally from the aimless drifting of our foreign policy up until World War II.

It is obvious that in the period since the War, New Zealand has rediscovered her 19th century view of her position in the world and accepted the necessity of playing a South Pacific role. The founding of the United Nations, the transition to nationhood of the colonies of Africa and Asia, and the inevitable extension of the decolonisation process into the South Pacific meant that New Zealand was bound to be called to account for her stewardship of dependent peoples. Thus, New Zealand was required to consider in depth her current and future policies toward Western Samoa, Niue and the Tokelaus. The policies of the time seem to have been greatly affected by the prevailing mood at international levels. The defeat of Fascism in World War II, the accompanying liberation of conquered peoples and the end of empire emphasised the importance of social justice, and the need to free societies from colonialism or exploitation. The founding of the great United Nations specialised agencies (the F.A.O., UNESCO, I.L.O., W.H.O. etc.) saw the beginnings of large scale, ambitious aid programmes designed to assist the less developed countries, employing huge sums of money (compared to what had been available hitherto) and many international "experts", in a task that essentially involved a massive transfer of Western technology. Accompanying these developments there was a great resurgence of confidence in the West in the 1950s that the developed world really could conquer within one or two decades the poverty of the underdeveloped world, could easily banish archaic institutions and so lay the basis for liberal, capitalist democracies to emerge in a new age of growing freedom and prosperity. Viewed from the 1980s the euphoria of the late 1940s and 1950s can be viewed with some cynicism, reflecting the uncritical optimism of the Allied victors who had set Western Europe on its feet again by means of the hugely successful Marshall Plan. In the thinking of the time, following the birth of major new independent nations such as India, Nigeria and Indonesia, it seemed possible that new countries could

advance equally rapidly on all fronts at the same time politically, economically and socially.<sup>6</sup> In this thinking, the problems of underdevelopment belonged overwhelmingly "out there" in the developing country and did not involve the world economy or relationships between economies. Diagnoses did not distinguish the many varied economic causes of backwardness, did not adequately recognise the massive importance of sociological factors, or attribute sufficient weight to the role of new political elites who were not behaving in the ways they were expected to according to the textbooks on constitutional and political development. Although this "modernisation" theory had existed long before this time, the theory was greatly boosted and given widespread credibility in this period of decolonisation. New Zealand politicians, planners, public servants (who played a critically important role) and academics, subscribed to the conventional wisdom of modernisation theory and applied it to the South Pacific territories. Buoyed by our own experience as a former colony that had achieved self respect by means of evolution under the Westminster system to reach Dominion status, we planned to apply the same process to the territories over the course of two or three decades.<sup>7</sup>

Throughout the period of the 1950s to the 1970s the pace of decolonisation in the South Pacific was greatly accelerated by the speed and completeness with which colonies in Africa and Asia moved to Independence<sup>8</sup> - a speed which is now regretted by many former administrators who believe that more time and resources were needed. A major factor too was the growing influence of former colonies at the United Nations as their number grew and the demands of the United Nations Committee on Decolonisation (the "Committee of Twenty Four") that dependent territories should move rapidly and progressively to self government and independence. As J.W. Davidson states, the year 1960 when the issue of Samoan independence was considered was

"a climactic one in the history of colonial liberation. During the course of it, seventeen newly independent states had been admitted to the United Nations, and the issue of terminating colonial rule wherever it remained had been taken up with passion in ... the General Assembly".<sup>9</sup>

New Zealand was acutely conscious of this international pressure and very concerned that its image at the United Nations should remain good.

It is argued in this report that these factors have been a major determinant of New Zealand policies to the South Pacific in the last 30 years - even more important in some instances than the internal conditions within the territories - and that the predetermined unilinear course of political evolution ordained in United Nations circles, whereby a colony moved progressively toward self government and then to independence, occurred without adequate study of the actual situation in the South Pacific region as a whole, the internal political, economic and social conditions in each territory, and the particular relationships between each territory and New Zealand. It is suggested that in conformity with United Nations expectations, the process and direction of political evolution that was chosen as one of the main options put to each territory - and the relatively slight emphasis given to one or two alternative options<sup>10</sup> - largely denied the territory the possibility of exploring some other kind of constitutional relationship that might have served the needs of its people much more adequately (see Chapters 3 and 7). It is probably true too that the view that international law has few concepts available to accommodate the unique needs of each country and each special relationship acted as a

limitation, rather than stimulation, on attempts to work out the best relationship and make constitutional law adjust to fit these needs. Responsibility for this clearly lies with the New Zealand administrators of the day. However, with the exception of Western Samoa, it is not too late in the day - since relationships between the island countries and New Zealand remain very good and they are linked in the "Special Relationship" - to review the constitutional relationship if either or both parties feels another kind of relationship might prove to be more advantageous.

### 1.3 Review of the Trends over the last Thirty Years

The main events of the period can be quickly sketched.<sup>11</sup> The New Zealand Prime Minister, Peter Fraser returned from the United Nations in 1945 fully aware of the necessity that rapid development must occur<sup>12</sup> in the South Pacific territories. Dr Beeby was despatched to report on the educational situation in the islands and to draw up plans for designing new school curricula. Fraser himself decided to initiate a scholarship scheme for further education of islanders in New Zealand. Following a visit to Samoa late in 1944, Peter Fraser became aware of the Samoans' desire to be more fully involved in their government and the need to promote Samoans in the public service. In 1949 Fraser passed the Samoan Amendment Bill which was designed to set the country on the road to self government, through it was realised that it would be a long and difficult route. Throughout the next two decades the various steps taken in Samoa, and thinking about decolonisation in Samoa, were with some exceptions, to strongly affect approaches taken to other countries in the region.

### 1.4 Cook Islands

In 1954 J.B. Wright, Secretary for Island Territories, reported on the unsatisfactory political consequences of the rapid growth of a large impersonal public service in the Cook Islands, a public service that was largely insensitive to the local Maori people. The Minister of Island Territories, Clifton Webb, visited with a mission. The Minister stated that New Zealand's objective in the Cook Islands was completely different from her objectives in Western Samoa and he predicted correctly that the Cook Islands would never want complete independence. The political relationship between the Cook Islands and New Zealand could not remain static and he stated prophetically that even more changes would occur in the next decade.<sup>13</sup> In 10 years the group was to attain full internal self government with free association with New Zealand. In 1955 the Minister of Island Territories invited V.D. Stace and Professor H Belshaw to survey conditions in the Cook Islands and to make recommendations for a development programme. The Belshaw Stace Report of 1955 is a major document for New Zealand policy in the South Pacific for it saw "development problems as social, administrative and political, as well as economic...".

The main thrust of the Belshaw Stace Report was that New Zealand policy should help Cook Islanders to help themselves. This would involve a new scheme of community organisation as a basis for local government and economic activity. It was hoped that constructive local leadership could be re created and the trend in economic and in political affairs should be towards increasing self determination, with islanders increasingly managing their own affairs. Yet the task of political development was particularly difficult in the Cook Islands, for unlike Western Samoa, society had been greatly affected by the force of Western impact and many traditional institutions no longer existed. The aim for New Zealand, the authors declared, paraphrasing R.P.

Gilson, must be "to transform a society without a stable authority structure, which largely as a consequence is elusive, unreal, difficult to understand and often politically dangerous in its reactions, into one in which such a structure exists, and which can be expressive of the will of the people organised in broad stable communities of economic and social interest".<sup>14</sup> In spite of producing a major report analysing the problem in depth, it can be said with hindsight that the period of 10 years devoted to building a more stable structure was too short - though there were good reasons why self government should not be further delayed - and that New Zealand did not commit sufficient resources to the task. Indeed it can be strongly argued that despite some able and committed officers in the Department of Island Territories, New Zealand lacked sufficient numbers of appropriate personnel (in terms of experience, interest and personality) for the large task required.

While the Belshaw Stace Report did urge autonomous, "boot strap" development for the Cook Islands it was quite far sighted for the time in recognising that the group was a "part of New Zealand" and that their economy was already closely tied with New Zealand's. They also noticed the beginnings of the large scale process of migration to New Zealand, a social process that was increasingly to vitiate the chances of success for autonomous development. Yet it might indeed already have been too late for autonomous development. As the Rev. R.L. Challis observed:

"...in a sense here is boldness. Turn back the clock and concentrate more on the individual island, and from those to the group and then from the Group to new Zealand: a process that will take much time, boldness of conception and practice."<sup>15</sup>

The small and politically weak Department of Island Territories did work hard to implement many of the Belshaw Stace recommendations (Wilson, 1969). Shipping to the Cook Islands was improved considerably and Greggs were persuaded to open a canning factory on Rarotonga in 1961.

### 1.5 Social and Constitutional Development

Educational advisors helped to improve the quality of schooling in all territories and various schemes for overseas training were established.<sup>16</sup> And attention was directed immediately to the requirements for orderly and progressive political and constitutional development. Professor C.C. Aikman was engaged by the New Zealand Government as constitutional adviser; he visited the Cook Islands in 1956 and 1957, played a part in the examination of citizenship and constitutional planning in Western Samoa in the early 1950s and later acted as the New Zealand Government's adviser in drawing up a constitution for an independent Western Samoa, with Professor J.W. Davidson acting as the Samoan representative. Later in the 1960s Aikman worked on the constitutional relationship of Niue with New Zealand before Professor R. Quentin Baxter helped that island to draw up the Niuean constitution. Throughout the 1950s the High Commissioner Guy Powles worked patiently to restore good relations and better trust in New Zealand intentions in Western Samoa, building on the Act of 1947; the promise to return the New Zealand Reparations Estates to Samoan ownership and control under a public corporation contributed greatly to growing Samoan faith in New Zealand's intentions.

## 1.6 Western Samoa

New Zealand did not, however, address the economic problems of Western Samoa till well into the 1950s, in spite of the exceptionally high rate of population growth and narrow economic base.<sup>17</sup> V.D. Stace's very competent work on the economy<sup>18</sup> and the steps needed to be taken to diversify and strengthen it, though undertaken in 1953, was not released until 1955. Aerial surveys, soil and geological surveys were carried out, a comprehensive population census held and in 1957 a compromise was worked out with the Bank of New Zealand which enabled the planning of a Bank of Western Samoa, which was to combine (after independence) the functions of development banking as well as commercial and central banking roles. More seriously in the 1950s the practice of full Samoan participation in economic planning begun in two select committees was dealt a series of disabling blows. As Davidson remarks<sup>19</sup>:

"Because of the initial resistance to planning, which stemmed from traditional thinking among the Samoans and from the conservatism of the business community, the loss of ground that had been gained was particularly unfortunate. As a result of it, Samoa went forward towards independence with the minds of its leaders less fully engaged in the attempt to solve some of the country's most serious problems than need have been the case."

In spite of the able and imaginative efforts of Guy Powles in the 1950s, it is abundantly clear with hindsight that in this most conservative society in the South Pacific, the leaders did not gain sufficient experience or appreciate the necessity of the many hard political decisions that would be needed to set the economy on a sounder footing. Two decades after independence copra production had shown no long term growth; the production of cacao had dropped by half and banana output had fallen to only 5 percent of its peak volume of the late 1950s.<sup>20</sup> By 1983 the country was in a state of economic crisis. Autonomous development of course was also becoming more difficult to achieve in this much larger country as it became more closely integrated into the New Zealand economy over the period. Although it lies outside the scope of this study, the hypothesis is suggested that Samoa has an aid and remittance led economy like the five small states studied, with these new trends undermining the basis of the old colonial export economy.

At Samoan independence, Corner's assessment of New Zealand's record was that, with some major qualifications (referred to below), New Zealand had done well as a colonial power:<sup>21</sup>

"It is handing over a prosperous and politically mature country to what will surely be a stable independence; it has established a healthy body politic with well rooted institutions of law and government which can confidently be expected to cope with future stresses".

With the benefit of hindsight this assessment can be seen to be basically sound. New Zealand's record in the 15 years preceding independence was impressive in the political and social fields; the great deficiency as noted above was the belated and ad hoc attention given to the economy and the inadequate training provided to Samoan leaders in economic management.

## 1.7 Niue

New Zealand's record in Niue was broadly comparable with that in the Cook Islands. The Niue Island Assembly was set up in 1960 and in 1962 at the same time as similar action was taken in the Cook Islands: the Assembly was given financial control over the New Zealand subsidy as well as over local revenue. In 1963, after drawing attention to the 1960 U.N. Declaration on Colonialism and emphasising the New Zealand view that the island territories should exercise their right to determine their own future, the Resident Commissioner presented the Assembly with a paper setting out a timetable by which self government might be realised. The Assembly expressed considerable concern at the pace at which the changes were to be implemented, stating they were not confident of their ability at that stage of running their own affairs.<sup>22</sup> They also feared that the granting of internal self government involved an attempt by New Zealand to free herself of responsibilities towards Niue. Aikman and McEwen recommended a slower pace of evolution and the Minister, Hon. J.R. Hanan assured them that New Zealand would continue to give financial and other assistance to a self governing Niue. The island received instalments of self government represented by the establishment of the Assembly, the conferment on it of substantial legislative and financial powers and the setting up of an executive committee. The whole process is admirably analysed by Chapman.<sup>23</sup>

## 1.8 Tokelau

With respect to the tiny, remote Tokelau Islands, their administration did not begin to be disentangled from that of Western Samoa until the late 1940s. In 1948 the Tokelau Islands Act transferred formal sovereignty from Great Britain to New Zealand and conferred New Zealand citizenship on the people. In the 1950s and 1960s a small public service was established and began to grow and new hospitals, schools, radio facilities and other innovations were introduced to the atolls. Ad hoc decisions were made in the absence of wider policy decisions but it became clear in the 1960s that Tokelau as well as Niue must also come under the direct scrutiny of the United Nations Committee on Colonialism. In 1964 the Minister of Island Territories proposed that representatives of each of the three islands should choose between affiliation with either Western Samoa or the Cook Islands. A delegation visited these two countries but then requested that Tokelau should remain directly affiliated with New Zealand, as they felt New Zealand "had sufficient funds to continue to look after us". Although there was no clear indication of what the ultimate goals might be, Tokelau enthusiasm for a small sponsored migration programme from 1963 1965 led to the view that the whole population might perhaps be resettled in New Zealand, opening the possibility that the atolls might be developed as commercial copra plantations. The Tokelau Islands Resettlement Scheme was approved in late 1965 with the aim of moving 200 people per year over five years. While it fell far short of this goal it did stimulate private, non assisted migration of Tokelauans from the atolls and from Western Samoa. By 1972 there were some 1600 Tokelauans and part Tokelauans in New Zealand, while the population in the islands was still over 1600. By 1971 the Tokelauan community requested that the assisted resettlement scheme be suspended, expressing a clear determination to continue to live in the islands in the future. By this time, with F.H. Corner now Secretary of Foreign Affairs, Niue was taking its last steps towards full internal self government and official planning of the direction and pace of decolonisation received new impetus. Although society remained traditional and conservative and felt needs expanded only slowly, a very great expansion in the public

service occurred over the span of a few years, creating a foreign devised and foreign controlled structure that was not responsible to the Fono and whose European methods of operation by passed and largely ignored the traditional institutions for solving problems or undertaking work activities.<sup>24</sup> Although this problem was worse on Fakaofu than on the other two atolls, the bureaucratic, rigid pattern of development appears to have been largely imposed from without, without achieving a close relationship based on two way communication between New Zealand representatives and the Tokelau people. And again as in the case of Niue, there have been repeated requests for a slower pace of political evolution to enable full stock taking and careful consideration of alternative options, including continuation of the status quo.

## 1.9 Regional Developments

Throughout the 1960s greater attention was focussed on the problems that Pacific Island producers experienced in marketing their produce in New Zealand. This led to Fiji and Western Samoa joining in the Pacific Islands Producers Association (PIPA) to promote closer cooperation as a step towards bringing greater pressure to bear on New Zealand to improve conditions affecting the marketing of bananas in that country. Tonga, the Cook Islands and Niue joined too, and later the Gilbert and Ellice Islands Colony, while the scope of PIPA was broadened to include the production and marketing problems of other rural industries. One

manifestation of Island Governments' concern over marketing was expressed in Albert Henry's request to the New Zealand Government in 1973 for an enquiry into the fruit trade which led to the Shand Report.<sup>25</sup> Marketing problems and the need to rationalise potential competition (as in the case of Niuean passionfruit, see pp. below) led to mounting concern, and at the political level a real step forward was finally achieved in July 1980 when the Rt. Hon. R. Muldoon announced the launching of SPARTECA at the Tarawa South Pacific Forum Meeting. SPARTECA was intended to provide an impetus to the export trade of island countries by providing on the part of Australia and New Zealand, duty free and unrestricted access for most of the products exported by Forum countries on a non reciprocal basis. The operation of SPARTECA is reviewed below, Chapter 13.

New Zealand has continued to play the major role in education in the South Pacific region since almost all countries have chosen the New Zealand School Certificate syllabus, and assistance with curriculum development as well as the provision of teachers when needed have illustrated this significant and continuing role in the region. The importance of education in both equipping would be migrants of the various MIRAB societies (see Chapter 15) for employment and life in New Zealand, as well as in retaining traditional knowledge, skills, pride and a sense of identity can hardly be over estimated. In 1968 New Zealand played a large role in helping to establish the University of the South Pacific as the first regional university.

The primary institution for regional development and consultation had been the South Pacific Commission and its South Pacific Conference, set up by the colonial powers under the Treaty of Canberra in 1947. In spite of its very great contribution to the region in many social, health, agronomic and scientific fields, the fact that the organisation was precluded by its constitution from discussing political matters gravely weakened its potential usefulness. Moreover, as a "colonial club" set up by the metropolitan powers, it became increasingly anachronistic, and since the members attending the Conference



were mostly public servants and younger politicians, it was patently obvious that the body lacked real "political clout". In his celebrated Lae speech at the South Pacific Conference in 1965, Ratu Sir Kamasese Mara made the first outspoken criticism of the paternalistic relationship between metropolitan and territorial governments, and demanded for the latter, not merely equality but primacy in the organisation.<sup>26</sup> The work of the Commission should be what they, the territories, wanted. A further crisis occurred over the issue of nuclear testing. Although S.M. Koya, the Fiji Chairman of the South Pacific Conference in 1970, permitted discussion of French nuclear testing in the Pacific, which led to the French delegate walking out of the meeting, it became obvious, as the Hon. Duncan McIntyre, Minister of Island Territories stated, that continued political discussion would lead to the destruction of the Conference and of the Commission.

At the same time the fact that the self governing Cook Islands could not become a member of the South Pacific Conference until it was fully independent led to the spawning of sub regional associations, such as PIPA. In 1971 the larger four members of PIPA (Fiji, Western Samoa, Tonga and Cook Islands) requested New Zealand to convene a meeting of heads of government of the four plus New Zealand and Australia.

The need for a larger stage at which the increasing number of thorny regional questions could be thrashed out at the top political level, and in which all member countries would sit as equals, was obvious and this proposal, put forward<sup>27</sup> in 1971, led to the founding of the South Pacific Forum. In 1972 the South Pacific Bureau for Economic Cooperation (SPEC) was established as the secretariat for the Forum (see Piddington, 1973). A primary objective of SPEC was to endeavour to alter the pattern whereby dependent territories played the classic role of under developed countries of supplying raw materials to metropolitan countries, but were unable to manufacture many of the good they required. Hence SPEC investigated ways of breaking down existing trade barriers to island products, and growing recognition of the problem by political leaders such as Hon. B. Talboys, Minister of Foreign Affairs, led to the SPARTECA proposals liberalising market access and to the Pacific Islands Industrial Development Scheme (PIIDS) of 1976 which encouraged investment in industrial development in the island states (see Chapter 13).

While the Forum and the South Pacific Commission have continued since the early 1970s in complementary rather than competing fashion, the growing success of the former, involving as it does the Heads of State of the respective countries, has recently made the future of the latter increasingly problematic.<sup>28</sup>

Throughout the later 1960s and especially the 1970s, island nations have increasingly spoken out on issues of concern to them. When Nauru became independent in 1968 a new, more equal phosphate agreement could be worked out and the New Zealand farmer was for the first time forced to pay the world price for phosphate. The attainment of independence by Fiji and Tonga in 1970 added impetus to the evolving mood that the South Pacific must become a community of equal nations concerned with their identity of interests. As early as 1972 island governments resolved to act together to set up a common disaster fund, donating \$500,000 over 12 years for this purpose. This was an early indication of a growing sense of regionalism. Growing awareness of the dangers of nuclear testing, directed primarily at anti French protests, and later over dumping nuclear wastes, was expressed in the 1980s in a growing popular movement for a nuclear free Pacific. Throughout the 1970s regional co operation as enhanced too

by the international discussions on the law of the sea, which finally were resolved by the declaration of 200 mile economic zones which had the effect of transforming tiny island archipelagoes into large territorial entities if the vast oceanic waters were now to be considered included within their sovereign territories. Although the United States did not recognise the 200 mile EEZs, and events such as the arrest of the *Danica* in Papua New Guinea in 1982 for trespassing in the EEZ reinforced the point that changes in international law do not resolve basic power relationships, the island states have entered into new regional groupings designed to protect and lobby for their interests such as the Nauru Agreement (see Chapter 14 on Fishing). The problems of providing adequate surveillance and enforcement over these greatly enlarged territorial waters where valuable tuna stocks can sometimes be found, remains a very great problem (surveillance flights by Royal New Zealand Air Force Orions are greatly appreciated). Formation of the Forum Fisheries Agency also recognises the need for a regional approach on fisheries research and many of these essentially political problems.

Continuing dissatisfaction with the inadequacies of shipping services in the region has led to mounting concern. While the basic problem of the dispersion of large numbers of tiny islands occupied by small numbers of occupants make the provision of a profitable shipping service a planner's nightmare, the imposition on the region of technological change and of externally devised scale economies has compounded the problem. Thus with containerisation and rapidly rising fuel and other costs, more and more shipping lines have decided that it is uneconomic to operate on certain routes or to call at certain ports, or to call as frequently, for both the size of imported quantities of merchandise and more particularly the volume of exported produce are near or below the minimum level required (SPAS 1980). The decline in quality of internal shipping services has often compounded the problem at a national level. New Zealand has played a major role in supporting islander concern in this area and in founding the Forum Shipping Line to service some member countries. Although the Forum Shipping Line has experienced major financial problems, and its future prospects are unclear, in 1983 the New Zealand Government resolved, in contrast to Australia, to renew its financial support to the Line.

Transport has of course been an area of considerable dispute, as well as agreement, at the regional level. The proliferation of very small national airlines at a time of massively increasing costs and intense competition between carriers has caused friction and some countries have experienced very heavy losses. Air Pacific has experienced considerable difficulties and the suspension of some services, whether internal or external (see the case of Tuvalu, Chapter 10) has caused hardship as well as inconvenience.

Internal issues in a metropolitan country can become matters of great concern in the islands as immigration of islanders to both New Zealand and Australia illustrates. The various policies initiated by the New Zealand Government from 1976 onward to reduce the number of overstayers has had considerable reverberations in the region and especially in Western Samoa. Legal debate has even extended to the Privy Council over whether some Samoans possess New Zealand citizenship. While the immigration issue is highly relevant to the problems of developing an harmonious multi racial society in New Zealand and in providing jobs at a time of mounting unemployment, it is equally important for the functioning of a new kind of multi national society - the MIRAB society - with a new kind of economy, based on the flow of remittance income both ways between the dispersed members of kindred groups. Immigration policies must

recognise the reality of such new phenomena that are now intrinsic features of the new South Pacific.

Recently the independence movement in New Caledonia has become an important issue at Forum meetings, with its association with the earlier Jimmy Stevens secession movement in Vanuatu and the current unrest along the Papua New Guinea border with West Irian. The New Caledonian issue raises basic questions about Melanesian freedom, rights and representation, as well as future stability on the island and moreover along with the nuclear free movement, Law of the Sea and Tuna fishing, immigration, transport and other issues, it raises the fear of a division between island states and their former colonial masters. Thus, especially since the decline of consensus and the weakening of internationalism throughout the world since 1980, the potential for friction in the South Pacific has perhaps been as great as the potential for improved co operation.

Thus, while there have been some solid successes achieved in regionalism, it is true to say that many sources of friction remain (such as contributing to the cost of a regional shipping line or a regional university). While some sense of a regional identity does exist, some island countries appear to value their links with metropolitan countries more than with one another. National integration and unity are very important as recent events in Vanuatu and Papua New Guinea illustrate. Of course the pursuit of nationalist aims, if conceived of in a narrow parochial way (such as the establishment of a Samoan University) might weaken regionalism, itself a fragile thing, and some balancing of national and regional interests is required. But the achievement of national unity and the establishment of stable and contented island societies must be the primary aim and while some progress has been made over the last 30 years the attainment of these goals is still by no means certain. Furthermore a fundamental factor in the attainment of these goals remains the relationship with New Zealand (which involves both their constitution and a compact between them and New Zealand) since this affects their stability, their employment prospects, their social and economic standards and indeed the level of viability that can be attained. Thus it is essential for this report to reopen the matter of their constitutions and of the compact that each state has with New Zealand.

The greatest achievement of all in the last 40 years has, of course, been the establishment of the South Pacific Forum which marks a breakthrough in relationships that had often been distorted by inequalities. At the annual meetings the Prime Ministers of Australia and New Zealand deliberately take a back seat, with the initiative usually coming from Island leaders. The Forum has increased understanding of South Pacific affairs and engendered a better level of goodwill. Sometimes, as at the 1977 Port Moresby meeting when Forum members decided to claim the 200 mile exclusion economic and fishing zones, decisions taken have had a major impact on other parts of the world. This institution remains the best hope for effective regional action in the years ahead.

#### 1.10 Assessment of New Zealand's Policies

In his 1962 paper on New Zealand foreign policy referred to at the beginning of this chapter, F.H. Corner described New Zealand's administering attitude in Western Samoa over many years as being "a muddled one": "On the one hand a weak, unconsidered but well intentioned liberalism; on the other, an equally unconsidered and ... an equally weak and ineffective desire for colonial prestige." The two strands which were largely incompatible created a dualism which can be traced throughout the New Zealand

administration of Western Samoa until the rapid movement towards self government in the 1950s ensured that the humanitarian, liberal strand prevailed.

Indeed New Zealand's policy in various countries of the South Pacific region in the past appears to have been "muddled". In the 20 years since Corner made his assessment can we assert with confidence, that policy is no longer "muddled", no longer "unconsidered"? Certainly some improvement has occurred and it is still characterised by a "well meaning liberalism" but has that been based on a rigorous, considered analysis of South Pacific economies and how they function, on an analysis of the whole South Pacific economy, conceived as an entity? If this is done and our policies become informed, it is likely that our aid policies for example might change, cease to be largely passive, and become much more active, since we would be joining the small states in examining the role and the effects of external injections of capital in the actual functioning of their economies (see Chapter 16). Given that some worrying trends are underway, is the relationship with the small states one "for all seasons" in view of possible troubles in economic and perhaps constitutional areas? (Chapters 7 and 11).

In his predominantly favourable assessment of New Zealand's record in Samoa, Corner made a number of qualifications, pointing to five basic weaknesses. It is salutary to examine these:

- (1) A failure to co ordinate in Wellington the New Zealand government resources to bring them to bear on Samoan problems. The small Department of Island Territories had little influence over larger and more powerful departments.
- (2) There was a lack of continuity among officers seconded from New Zealand, and there has never been a large enough group of officers with experience or adequate knowledge of Samoa. Public servants were despatched to Samoa for a three year term much as they might be "transferred to Invercargill or Taumarunui" with no training and often little interest in the unique country of Samoa or of its specialised problems. After a three year term officers would be transferred back to New Zealand.
- (3) There was a failure to make the service in Western Samoa attractive to the best civil servants and teachers.
- (4) There was a lack of analysis and long term planning, resulting from the failure to recruit the best officials.
- (5) But the chief defect of the New Zealand Administration was "the suburban mind" with which Samoan problems have been viewed, which Corner aptly terms "the Lower Hutt syndrome". New Zealand's administration must stand indicted because of its "unimaginativeness, rigidity of mind, lack of foresight."

Do these basic weaknesses still characterise New Zealand policy 20 years after Corner made this assessment? Some improvements have undoubtedly occurred, but the answer must, on the whole, still be "yes".

It is still difficult to co ordinate policies in Wellington and work in the islands has a lower status which has to be fitted in when more pressing matters on the mainland

involving departmental attention have been attended to. The transfer of island matters from the Department of Island Territories to Foreign Affairs in 1974 was seen by many of the officers of the latter as marking a new era in which New Zealand and island countries would not only deal with each other as equals (a very worthy gain) in the place of the earlier paternalistic relationship, but a new "purposive" development thrust would for the first time be provided. However the situation in recent years has not really called for a "new purposive development thrust" but for somewhat different policies (see Chapters 6, 7 and 8). Certainly nine years after an important aid mission visited Rarotonga in 1975, autonomous development has achieved no progress and while the relationship with the islands has changed somewhat, they are every bit as dependent on New Zealand support as ever before. Moreover in the anti colonial mood of the 1960s some at least of the criticism of the "paternalism" of the Department of Island Territories was misplaced. Later the Ministry of Foreign Affairs was to discover (e.g. for Tokelau) that the problems of economic, social or political "development", involving as they do the acquisition of new skills and new knowledge, necessarily requires a benevolent external leadership and friendly guidance of the sort often described as "paternal". As we discuss in Chapter 9, the Kiribati Government has also had to "reinvent the wheel": the previously rejected system of district administration has had to be re established recently under a new guise in an attempt to improve the quality of local government and the relationship between local and central government. These examples of somewhat petty inter departmental jealousy or of doctrinaire approaches show that at times policy makers are in danger of "throwing out the baby with the bath water".

Secondly, there has been no improvement in continuity. While Foreign Affairs officials are people of considerable ability and diplomatic skill in contrast to some earlier Island Territories' staff, they spend only a few years in a posting, show little long term commitment to South Pacific affairs or desire to acquire a deep knowledge or linguistic ability, and rapidly pass on to "higher things" in more attractive postings in Europe or elsewhere. This hardly meets the need of Corner's plea to "get our policies right".

It must be the aim of the Ministry of Foreign Affairs to build an able, experienced cadre of South Pacific specialists (involving a combination perhaps of those with a long term commitment, and a through put of young, fresh minds) as part of its objective of maintaining a high level of professionalism. The through put of fresh viewpoints is an antidote to entrenched attitudes of long serving officers. While there is no compensation for experience, there is a danger of fixed views and "chip on the shoulder" attitudes that would have to be guarded against. But in general many officers of the appropriate quality should be able to serve for 10 or 20 years or more in Pacific postings, interspersed with postings in Wellington. A similar emphasis on professionalism and continuity should concern other Departments such as Treasury, Education, Agriculture and Fisheries and Forestry with on going involvements in the South Pacific.

The usual Foreign Affairs response to the above proposal is dismissive: how can officers be expected to serve for so long in such tiny, remote, confining islands? And what about the problem of educating one's children in the islands? Persistence of such attitudes suggests that Foreign Affairs equates smallness with insignificance; it suggests that even today the Ministry does not fully accept that New Zealand is a part of the South Pacific or fully accept the requirements of its role in the region. It illustrates that we still have a good way to go "in working out a relationship" in an effective way with South Pacific peoples.

Thirdly, while overseas aid appointments are sufficiently attractive to encourage a number of competent New Zealanders to fill important positions in the islands (and Volunteer Service Abroad has sent a number of very competent and some dedicated people to Western Samoa, Tonga etc.) it could still be asserted that levels of ability in some crucial positions (such as economic planning, financial control) are inadequate.

Most of New Zealand's best civil servants never serve in the Islands. In the Department of Education, Islands Education is considered to be something of a "blind alley" that doesn't attract many of the most able officers. In the State Services Commission staff may be moved on to, or off Niuean or Tokelauan matters without much concern for the build up of professional expertise and understanding over the longer term and it is not apparent whether planning career structures in the public service in New Zealand has considered the administration of island affairs in other than a rather ad hoc or desultory way.

Fourthly, although the Ministry of Foreign Affairs maintains a high level of professionalism in its service and the quality of its officers is generally to be admired, the level of its political analysis is vastly superior to its economic analysis. Short term analysis dominates thinking and middle and long term trends receive slight attention. There is also a lack of thorough economic analysis on the nature of Pacific Island economies, their trends over time and the economic role of aid in general, viewed in the context of the political economy.

With reference to Corner's fifth criticism and also to our list of assumptions (p. 2 above), the record revealed from official files and other sources over the last 10 to 15 years is good. Official policy shows respect for island governments and displays a considerable measure of understanding. In general, apart from one or two notable exceptions, our policies have been liberal and humane. But in terms of our national attitudes in general, can we confidently assert that the New Zealand "suburban mind" is no longer with us, that the "Lower Hutt syndrome" has gone for good? Recently the political scientist Dr Rod Alley remarked that although decolonisation has occurred in the South Pacific with respect to constitutional and political changes in most countries, an "attitudinal decolonisation" still has to occur in the minds of many New Zealanders.<sup>29</sup>

#### 1.11 The Objectives of New Zealand Policy in the South Pacific

In the period at least since World War II, currently, and in the foreseeable future, New Zealand's interests as perceived by policy makers may be identified as follows:

- (1) The stability of the island states of the South Pacific. This stability would arise from:
  - (a) internal peace and harmony achieved by local governments;
  - (b) external events and policies which also critically affect peace and harmony in the small states. Thus free entry of migrants to the New Zealand labour market is an example of one major policy which contributes to this harmony; favourable market conditions in New Zealand for island produce is another.
  - (c) reasonable political unity and stability of Island governments. Such stability would of course depend on their acceptability to their electorates,

implying a considerable degree of responsibility and a reasonable measure of competence.

- (2) The maintenance of an international system of security and defence protecting the region from possible aggressors and ensuring the security of the region. In former times, the island states such as the Solomons, Fiji, Tonga and the Cook Islands were part of New Zealand's "forward defence" system, providing a buffer zone through which any enemy from the north would first have to penetrate before reaching New Zealand. In such a war it would be essential that the island states were on our side to provide strategic bases for allied forces; in such a scenario, Niue, for example, could be seen to be an "unsinkable aircraft carrier". Essentially this policy is one of strategic denial (Chapter 12).

In an era of inter continental ballistic missiles, such a rationale might have lost some of its force, although the frequent occurrence of relatively small scale conventional wars such as the Falklands War warn against the danger of too readily dismissing such a viewpoint.

- (3) The economic growth and development of the island states has always been judged to be important:
- (a) in its own right;
  - (b) because such development and economic growth would play an important part in maintaining internal peace and harmony and hence the stability of island governments (Goals 1a, b and c above);
  - (c) because it would enable a greater degree of local autonomy and self reliance to be achieved - economically, socially and politically - if economic growth and "development" could be sustained over a period of time. Greater local autonomy and self reliance would also provide a solid basis for the maintenance of a society's national identity, pride and culture.
  - (d) Finally, increased economic self reliance has been seen as a means of limiting in the long run the need for New Zealand aid and subsidies, and possibly even permitting some reduction in New Zealand's financial commitment in the region over the longer term.
- (4) The maintenance and improvement of reasonable conditions of social welfare in the islands. At least since Maui Pomare was Minister of Island Territories in the 1920s, New Zealand has been concerned that reasonable living conditions should be enjoyed by islanders and that they should have access to an array of social services of which health and education are especially important. New Zealand does not want to have a "slum in our own back yard".

It is argued in this report that New Zealand has been conspicuously successful in the area of social welfare - more so than any other colonial power in the South Pacific - and that the social conditions established by New Zealand in the Cook Islands and Niue are unrivalled in the South Pacific, bearing in mind other relevant factors.

- (5) The availability of a relatively cheap source of labour, both unskilled and semi skilled, that could be drawn upon in periods of substantial economic growth or industrial expansion to fill jobs not adequately filled by mainland New Zealanders. The 1950s was the period in which labour shortage was most

evident but also in the 1960s and even in the early 1970s it was convenient for many firms to employ islanders as a substantial or major part of their workforce in a number of particular industries.

- (6) The provision of fruit and vegetables to the New Zealand market from time to time when it suited the New Zealand consumer and marketing firms. This involved tropical produce that could not be produced on the New Zealand mainland (e.g. Cook Island pineapples or pawpaw) or could not be produced in large enough volumes (e.g. Niue passionfruit production, see pp. ), or winter vegetables for sale in the off season when no competition would occur with New Zealand producers (e.g. beans or melons in the Cook Islands).
- (7) New Zealand's defence and strategic role as one of the member countries of Anzus. New Zealand's role in this defence treaty is to have responsibility for the defence of the Southwest Pacific area, covering the islands of Fiji, Western Samoa, Tonga, Tokelau, Niue and Cook Islands.
- (8) New Zealand's image at United Nations and at world forums.
  - (a) New Zealand has been concerned that its image should be that of an enlightened nation properly discharging its remaining responsibilities as a colonial power, rapidly preparing its dependent territories for self government or independence.
  - (b) New Zealand has been concerned to create and then to maintain an international reputation both as a happy and successful multi racial society in which Maori and Pakeha and other groups live and work together in an harmonious way. New Zealand has been concerned to extend this internal image of a multi cultural New Zealand to the South Pacific region as a whole in which it is hoped that friendly and harmonious relations can be maintained among the multicultural member states.
- (9) Insofar as New Zealand politicians concerned themselves with major international questions such as the North South relationship, the Third World debt crisis, its threat to the Western or international economy, the South Pacific could be seen to be something of a microcosm of the larger world scene. If New Zealand's policies aren't "right" in the South Pacific region some credibility would be lost when New Zealand's views on the international arena are expressed.

The importance of most of the above nine objectives of New Zealand policy is obvious. 1b remains an ever present concern where New Zealand's policies on Islander overstayers for example, can critically affect friendship, harmony and perhaps stability. There are some grounds of concern over some aspects of 1c, but careful attention to this and friendly assistance by New Zealand (see Chapter 11) perhaps through a Select Committee arrangement to deal with difficult areas could be a major contribution.

With respect to (2), much depends on whether there is a continuation in the overall decline of internationalism at the world level and specifically a deterioration in United States Soviet relations, or whether there is an amelioration. Much too depends on whether there is a substantial progress toward a nuclear free Pacific or not. If present attitudes continue to prevail, in which a host of agreements and understandings which were never part of the actual ANZUS Treaty but which are currently held to be an



integral part of the defence relationship continue to be treated as vital, then the South Pacific as a whole will continue to be part of the Western Alliance, required to play an appropriate role and will accordingly be affected by the arms race. While the political question "Who threatens New Zealand?" (or the Pacific island states) can be easily answered with "no one", this is not the relevant question to pose. That relates to the place of the South Pacific in world power politics and its degree of strategic importance in the Pacific Basin as a whole. While that may not seem to be great, it would be a route through which the United States and its allies might wish to pass rapidly to a potential Indian Ocean trouble spot if the Timor Sea or Strait of Malacca are closed. Nor would the United States view lightly the denial of passageway or rights to berth of nuclear powered or armed vessels, even if South Pacific states protest that this does not weaken their commitment to ANZUS. There are signs that the nuclear free Pacific movement will be seen in American eyes as a dangerous precedent, rejecting the United States led international system of security and defence. As one of the first chinks in the armour of the Western Alliance it would be seen as perhaps triggering off similar movements elsewhere and potentially weakening the whole Western Alliance.

The issue has hardened significantly with the election of the Fourth Labour Government and firm resolve shown by Mr Lange to reaffirm the Party's position on no admission of nuclear powered or armed vessels. The new Labour Government still has to show that it is prepared to pay the price of such a policy (the potential loss of valuable markets in the United States and the possible loss of other forms of American assistance). The Australian Labour Party was committed to a similar policy, but once in office and after the H.M.S. Invincible incident, it reversed its position.

Objective (3) above is one of the most important of all and the one addressed in detail in this report, since it forms the basis of much of New Zealand policy to the five small states as well as to other South Pacific countries. The Team argues that this goal is quite unrealistic, given current conditions in four of the five small states and the desire of three of them to maintain the special relationship with New Zealand. The only possible exception to this view would appear to be the fortuitous find of some large unexpected mineral resource within one of the island states' exclusive economic zone.

Hence little improvement in local autonomy and self reliance can reasonably be expected. It is important however to attain what degree of autonomy is feasible at acceptable cost and to encourage local production or enterprise by appropriate policies.

The reduction of New Zealand subsidies, 3(d), is not attainable in the foreseeable future, for as E.K. Fisk stated with respect to Niue<sup>30</sup>, a drop in the level of aid is likely to lead to an escalation in out migration, since the existing levels of aid contribute greatly to the current living standards. Islanders not only expect this, they require it if they are to continue to live in the islands.

In the case of (4), the continued maintenance of good social conditions and concern for human welfare (as well as whatever degree of economic autonomy is feasible) will slow down the outflow of migrants.

Goal (5) was important in the 1950s and 1960s but in times of recession and unemployment is obviously much less important.

Objective (6), the promotion of trade between New Zealand and the islands on the basis of classical "comparative advantage" with the islands exporting tropical agricultural produce and importing New Zealand manufactures, has been diluted considerably in the past decade in response to pressure in the Forum for greater access to the New Zealand and Australian markets for island manufacturers.<sup>31</sup> The foundation of SPEC, the negotiation of the SPARTECA agreement, and the setting up of the Pacific Islands Industrial Development Scheme, reflect a shift in New Zealand attitudes, based partly upon the generally agreed limitations of agricultural exports as the primary motor of economic growth in the islands. However, we argue (Chapters 5 and 13) that under prevailing conditions in the MIRAB societies, industrial development does not offer a realistic alternative economic "motor". The recent policy initiatives in that direction are likely to prove significant for the regional political goodwill they generate rather than for any dramatic impact on the economic situation.

Arguments for agricultural development on the basis of comparative advantage continue to provide the underpinning for a number of aid projects, and for a good deal of policy advice to island governments. The market access problem, however, has been a real one; the problems of Cook Island tomato growers in competing with the New Zealand glasshouse producers; of Cook Islands citrus competing with Kerikeri or Bay of Plenty growers; and of Niue kumaras in competition with New Zealand growing interests, have illustrated the balancing act which New Zealand governments have had to perform between their commitment to support island development, and the pressure of domestic political interests.

With respect to goal (8) New Zealand's image at United Nations and in world forums has at times seemed to take precedence over internal conditions and needs in the island states. Thus some policies on decolonisation have been as much concerned with New Zealand's likely image at the United Nations as with the internal conditions of the small territories and their desire and preparedness for a further step in their "political evolution". Close study of these internal conditions, and above all genuine communication with the islanders, is imperative. New Zealand has been acutely sensitive to its image, partly because of its own "sense of littleness" and lack of self confidence - considerations in short, that colour our foreign policy as a whole. Moreover, the character of New Zealand's foreign policy as a whole is heavily concerned with trade and with improving access to overseas markets. New Zealand's international interests and trade prospects in general can only be enhanced by a reputation as a small nation with enlightened policies toward the small states of the South Pacific, encouraging stable conditions and friendly relations with the various Polynesian, Melanesian and Micronesian states of the region. At the same time New Zealanders can hardly deny the small states policies (such as access to the New Zealand market) that we have fought so strenuously to achieve for ourselves.

This report can be seen as another step in the argument that New Zealand should accept its destiny as a South Pacific nation. If we can truly accept that position, we must logically accept the appropriate role that follows from it. Then we will be able to continue the tasks which, 20 years after Corner wrote, are far from complete: of "working out a relationship" with the peoples of the South Pacific, of increasing our "capacity" and our "moral right" to play a beneficent role in the region. And then - but only then - are we likely to "get our policies right" in the South Pacific region.

## NOTES TO CHAPTER ONE

- <sup>1</sup> F.M. Corner, "New Zealand and the South Pacific", in T. Larkin (ed.), New Zealand's External Relations, New Zealand Institute of Public Administration, Wellington, 1962.
- <sup>2</sup> Corner (1962): 147.
- <sup>3</sup> See Angus Ross, Ed., New Zealand's Record in the Pacific Islands in the Twentieth Century, Longman Paul for N.Z. Institute of International Affairs, 1969
- <sup>4</sup> e.g. the lengthy discussion of the Waitangi Day protest, Robert Macdonald, "The New Challenge of the Tribes", The Guardian, March 3, 1984
- <sup>5</sup> Corner (1962) and Angus Ross, New Zealand Aspirations in the Pacific in the Nineteenth Century, Clarendon Press, Oxford, 1964.
- <sup>6</sup> As Professor J W Davidson, constitutional advisor to Western Samoa said, the realisation of the objective of full self government, "involved the correlation of political advancement to that in other fields". J.W. Davidson, Samoa Mo Samoa, The Emergence of the Independent State of Western Samoa, Oxford University Press, Melbourne, 1967, p.233.
- <sup>7</sup> F.M. Corner, "Tokelau 1984", MS Paper, Wellington, 1984.
- <sup>8</sup> For example, see René Dumont, False Start in Africa, Andre Deutsch, London, 1966; V.S. Naipaul, A Bend in the River, Andre Deutsch, London, 1979.
- <sup>9</sup> Davidson (1967): 402.
- <sup>10</sup> This seems to have been the case with Western Samoa. In his speech to the United Nations in December 1960, F. Mata'afa asked: "Is the alternative to independence to be considered, then as the indefinite maintenance of the present situation which was devised essentially as a stage in our steady development towards independence? Or is it to be considered as a step backwards towards the type of government which we possessed at some period in the past? ..." (Davidson, 1967: 403).

Clearly, he rejected both these options but it doesn't appear that Western Samoan leaders were aware that other possible options existed of combining a large measure of local self government with some relationship to the metropolitan country, New Zealand. The Team were told by a senior public servant that when visiting Samoa recently he met a former Prime Minister. The latter remarked that it was a pity that Western Samoa had not chosen in 1962 the Cook Islands "solution" self government but with free association with New Zealand, enabling New Zealand citizenship and free entry into New Zealand. But in 1962 when Samoa became independent, the Cook Islands "solution" which came into force in 1965, had not been devised.

- <sup>11</sup> See especially the essays by Boyd, Wilson and Aikman in Angus Ross (1969); Davidson (1967), and Corner (1962).
- <sup>12</sup> Fraser had actually supported H.E. Holland's advocacy of internal self government for Western Samoa under international supervision as early as 1919 (Davidson, 1967:99).
- <sup>13</sup> Wilson (1969): 75, 77.
- <sup>14</sup> H. Belshaw and V.D. Stace, A Programme for Economic Development in the Cook Islands, Wellington, 1955, p.22.
- <sup>15</sup> Cited in Wilson (1969): 83.
- <sup>16</sup> C.E. Beeby, Report on Education in the Island Territories, Education Department, Wellington, 21 September, 1945.
- <sup>17</sup> A land use committee was appointed and B.V. Parham, an able tropical agronomist, was recruited in 1956 to head a strengthened Department of Agriculture. Yet all these commendable steps in the economic area were taken only five years or so before Independence.
- <sup>18</sup> V.D. Stace "The Pacific Islander in Modern Commerce", South Pacific Commission Technical Paper, No 54, Noumea, 1954; and V.D. Stace, Western Samoa - An Economic Survey, South Pacific Commission Technical Paper No. 91, Noumea, 1956.
- <sup>19</sup> Davidson (1967): 253.
- <sup>20</sup> R. Gerard Ward and Andrew Proctor (Eds.), South Pacific Agriculture: Choices and Constraints, South Pacific Agricultural Survey 1979, Asian Development Bank with Australian National University Press, Canberra, 1980, p.398. Henceforth this will be referred to as SPAS (1980). See also James McKenzie, Vulnerability or Viability? The Problem of Economic Dependency in Western Samoa 1962-82. Research Essay, Geography Department, Victoria University of Wellington, 1983; Paul Shankman, Migration and Underdevelopment. The Case of Western Samoa, Westview Press, Boulder, Colorado, 1976.
- <sup>21</sup> Corner (1962): 142.

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## CHAPTER TWO

### THE ISLAND STATES: POPULATION, AREA AND SOCIETY

#### 2.1 Introduction

This report covers five small states, whose total population in the island groups is just under 91,000 people, or 125,000 if the islanders residing in New Zealand are also included. Individually they are all very small states: even the largest, Kiribati, with just under 60,000, corresponds to a medium sized New Zealand city like Palmerston North. The Cook Islands has 17,754 people, or about the same as Tokoroa, while Tuvalu, with a population of 8,364 corresponds to a town like Greymouth. At the lower end of the scale is Niue which had in 1981, 3,278 people and was still subject to considerable out migration (equivalent in size with Picton) and Tokelau with 1,572 is slightly smaller than Greytown.

It is argued strongly in this report that a viewpoint which isolates the islands' society and economy and ignores the strong economic and social links tying them to New Zealand can lead to false assumptions and to unsound policies seeking to promote separate development that have little hope of success. It is important to recognise the substantial portion of the total island population which now resides in New Zealand. Over 8,000 or 71 percent of the total Niuean community now lives on the mainland, nearly 24,000 Cook Islanders (57 percent of the total) and a remarkably similar 59 percent (2,274 people) of the Tokelau community also live in New Zealand. A total of 34,233 from the three groups in 1981 lived in the mainland.

The report argues that the process of social change that has evolved especially in the period since World War II has been one in which New Zealand's economic influence has become steadily more dominant in the central area of the South Pacific<sup>1</sup>. Islanders have responded to this situation and the concomitant weakening of the economic autonomy of each island group by migrating in large numbers to the economic "growth pole" on the mainland. Thus migrant societies have come into being, binary in nature, with over half living on the mainland. Furthermore, the links that bind the two halves together remain strong, with money, food, other forms of reciprocity, as well as people, flowing both ways between the islands and the mainland. The living strength of the social bonds that tie the two parts together in the islander communities is illustrated with respect to Tokelau on pp.212-215 below, and the migration process and the importance of the corporation of kin in maintaining long distance relationships is described for the Cook Islands on p.139. Thus Table 2.1, which sets out the population of each island group also gives the size of the New Zealand component as well as the total figures.

#### 2.2 Size of the Island States

The area and population density of each of the five small states are also given in Table 2.1. Kiribati is the largest in area with just over 750 km<sup>2</sup> made up of 42 atolls and reef islands scattered over an enormous ocean expanse of 3,550,000 km<sup>2</sup> - surely the most widely dispersed country in the world. If Christmas Island (the largest atoll in the world) and the very sparsely settled Line Islands and uninhabited Phoenix Group are excluded, the great bulk of the population live in the remaining 16 atolls of the Gilbert Islands and Banaba (Ocean Island). The mean population density is 80 persons per km (1.2 hectares per capita), although very high densities occur on Tamana and several other small islands. (See Table 2.4).

TABLE 2.1

## POPULATION, AREA AND POPULATION DENSITY OF THE FIVE SMALL STATES, AND POPULATION RESIDENT IN NEW ZEALAND

|                               | Population<br>1981  | Percent of<br>total | Area <sup>1</sup> (km <sup>2</sup> ) | Sea Area <sup>1</sup><br>(km <sup>2</sup> ) | Population<br>density<br>(persons/km <sup>2</sup> ) | Hectares per<br>capita | Rate of<br>Population<br>change<br>1971-1981<br>(percent) |
|-------------------------------|---------------------|---------------------|--------------------------------------|---------------------------------------------|-----------------------------------------------------|------------------------|-----------------------------------------------------------|
| Cook Islands                  |                     |                     |                                      |                                             |                                                     |                        |                                                           |
| Island population             | 17,754              | 43                  | 237.0                                | 1,830,000                                   | 75                                                  | 1.34                   | -1.84                                                     |
| Cook Islanders in New Zealand | 23,880              | 57                  |                                      |                                             |                                                     |                        |                                                           |
| Total                         | 41,634              | 100                 |                                      |                                             |                                                     |                        |                                                           |
| Niue Island Population        | 3,278               | 29                  | 259.0                                | 390,000                                     | 13                                                  | 7.9                    | -35.8                                                     |
| Niueans in N.Z.               | 8,079               | 71                  |                                      |                                             |                                                     |                        |                                                           |
| Total                         | 11,357              | 100                 |                                      |                                             |                                                     |                        |                                                           |
| Tokelau Island Population     | 1,572               | 41                  | 12.2                                 | 290,000                                     | 129                                                 | 0.8                    | -1.7                                                      |
| Tokelauans in N.Z.            | 2,274               | 59                  |                                      |                                             |                                                     |                        |                                                           |
| Total                         | 3,846               | 100                 |                                      |                                             |                                                     |                        |                                                           |
| Kiribati                      | 59,825 <sup>2</sup> |                     | 750.4                                | 3,550,000                                   | 80                                                  | 1.25                   | +16.2 <sup>3</sup>                                        |
| Tuvalu                        | 8,364 <sup>4</sup>  |                     | 24 <sup>5</sup>                      | 900,000                                     | 348                                                 | 0.29                   | +42.1 <sup>6</sup>                                        |
| TOTAL                         | 125,026             |                     | 1,284.6                              |                                             |                                                     |                        |                                                           |

Notes: 1. SPC (1981) South Pacific Economies 1979: Statistical Summary

2. Dec. 1982 Estimate.

3. Increase 1973 1982.

4. 1983 Estimate.

5. Tuvalu Third Development Plan 1984 87.

6. 1973-81 Influx from Kiribati on separation and from Banaba after cessation of phosphate.

Sources: Escap (1983); S.P.C. (1981); Tuvalu Third Development Plan 1984-87; ADB (1983); Niue Census, 1981; Niue National Development Plan 1980-85; Tokelau Census, 1981.

Niue is next largest in size. This country of 259 km<sup>2</sup> is a single island of upraised coral, and is slightly larger than all 15 of the Cook Islands (237 km<sup>2</sup>) put together. Niue, with its low resident population of 3,278 in 1981, had a population density of only 13 persons per km<sup>2</sup> (7.9 ha/capita).

The Cook Islands is also a group of far flung islands in the vast ocean, covering 1,830,000 km<sup>2</sup>. The group comprises the southern group of Rarotonga (67.1 km<sup>2</sup>) and five other "high" volcanic islands plus two atolls, and the northern group of seven "low islands" or atolls (see Table 2.2). The group has a mean population density of 75 persons per km<sup>2</sup> (1.34 ha. per capita).

Tuvalu comprises nine islands dispersed over a sea area of 900,000 km<sup>2</sup>. The total land area is 24 km<sup>2</sup>, and the mean density of population on the islands is high at 348 persons per km<sup>2</sup>, being lifted considerably by the high population of the country's town of Funafuti (1,110 per km<sup>2</sup>). The detailed figures are given in Table 2.5.

Tokelau is by far the smallest political entity among the five countries studied. At 12.2 km<sup>2</sup> it is half the size of the next smallest island group, Tuvalu. However, it has a relatively high population density of 129 persons per km<sup>2</sup> (0.8 ha. per capita). The total populations of the three atolls in Tokelau – Nukunonu, Fakaofu and Atafu – are given in Table 2.3.

The tables show that three of the five small states (Tuvalu, Tokelau and Kiribati) have very high population densities by world standards, with about 1 hectare of land per capita or less. While the plight of Tokelau is not serious in view of the migration outlet that exists to New Zealand and the considerable flow of aid moneys from New Zealand, population pressure is much more serious in the other two states which lack both migration outlets and the certainty of long term aid from any metropolitan country. Indeed the Government in the United Kingdom in early 1984 was proposing to cease all aid to the two Pacific dependencies after 1986. The plight of the two ex British colonies is thus far more critical than the three associated with New Zealand. The case of Kiribati however is a good deal more critical than that of Tuvalu, for in 1979 the country experienced a regression probably unequalled by any other country when exports of phosphate from Banaba Island finally ceased and the country lost 84% of its total exports.

Table 2.1, column 7, also shows the rate of population change for the five states over the period of 1971-81. The three linked to New Zealand declined in population, but Tuvalu grew by 42 percent (1973-81) and this country faces an extremely difficult and problematic future. Kiribati also increased by over 8700 or 16 percent. The pressure of population on extremely limited resources, and the likely retreat into subsistence exacerbates an extremely ominous situation in Kiribati unless urgent steps are taken, including external assistance (Chapter 9).

In Table 2.6 we present the figures on Pacific Island Polynesians residing in New Zealand in 1981. The total of almost 90,000 is made up of over 42,000 Samoans, about 6,900 Tongans, 34,233 from the Cook Islands, Niue and Tokelau, and the balance of about 6,500 from other Polynesian or mixed Polynesian groups. The residence of 90,000 Pacific Island Polynesians (or 3 percent of New Zealand's total population), almost all of whom would regard their stay in New Zealand as permanent, together with the population of 279,000 Maoris (9 percent of the total) make major contributions to New Zealand's multi racial society. As the second most numerous minority group in the total society, the Pacific Island Polynesians are a significant group in contemporary New Zealand whose importance can only grow in the future.

TABLE 2.2  
COOK ISLANDS, POPULATION, LAND AREA AND PERSON/LAND RATIOS, 1981

| Island/region               | Population<br>1981  | Total area<br>km <sup>2</sup> | Persons / ha | Hectares<br>per capita | Class 1 land <sup>a</sup> |           | Class 2 land <sup>b</sup> |           | Total arable |           |
|-----------------------------|---------------------|-------------------------------|--------------|------------------------|---------------------------|-----------|---------------------------|-----------|--------------|-----------|
|                             |                     |                               |              |                        | Hectares                  | ha/capita | Hectares                  | ha/capita | Hectares     | ha/capita |
| Rarotonga                   | 9,530               | 67.1                          | 141          | 0.69                   | 1,497                     | 0.16      | 619                       | 0.07      | 2,116        | 0.22      |
| Aitutaki                    | 2,335               | 18.3                          | 128          | 0.74                   | 928                       | 0.39      | 471                       | 0.20      | 1,399        | 0.60      |
| Atiu                        | 1,225               | 26.9                          | 46           | 2.05                   | 469                       | 0.38      | 1,370                     | 1.19      | 1,839        | 1.50      |
| Mangaia                     | 1,364               | 51.8                          | 26           | 3.38                   | 422                       | 0.30      | 2,129                     | 1.56      | 2,551        | 1.87      |
| Manuae                      | 12                  | 6.2                           |              |                        |                           |           | 622                       |           | 622          |           |
| Mauke                       | 681                 | 18.4                          | 37           | 2.59                   | 427                       | 0.62      | 1,159                     | 1.69      | 1,586        | 2.31      |
| Mitiaro                     | 256                 | 22.3                          | 11           | 7.29                   | 110                       | 0.42      | 913                       | 3.57      | 1,023        | 3.99      |
| Takutea                     |                     | 1.3                           |              |                        |                           |           | 130                       |           | 130          |           |
| Southern outer islands      | 5,873               | 145.2                         | 41           | 2.47                   | 2,536                     | 0.43      | 6,797                     | 1.15      | 9,333        | 1.58      |
| Southern group <sup>c</sup> | 15,403              | 212.3                         | 72           | 1.38                   | 4,033                     | 0.26      | 7,416                     | 0.48      | 11,449       | 0.74      |
| Manihiki                    | 405                 | 5.4                           | 75           | 2.05                   |                           |           | 544                       | 1.34      | 544          | 1.34      |
| Pukapuka/Nassau             | 930                 | 2.6                           | 358          | 0.29                   |                           |           | 260                       | 0.27      | 260          | 0.27      |
| Palmerston                  | 51                  | 2.1                           | 24           | 3.61                   |                           |           | 207                       | 4.05      | 207          | 4.05      |
| Rakahanga                   | 272                 | 4.1                           | 66           | 1.46                   |                           |           | 414                       | 1.53      | 414          | 1.53      |
| Tongareva                   | 608                 | 9.8                           | 62           | 1.85                   |                           |           | 984                       | 1.61      | 984          | 1.61      |
| Northern outer islands      | 2,266               | 24.5 <sup>e</sup>             | 92           | 1.08                   |                           |           | 2,461                     | 1.08      | 2,461        | 1.08      |
| Total Cook Islands          | 17,754 <sup>d</sup> | 237.0 <sup>e</sup>            | 75           | 1.34                   | 4,033                     | 0.23      | 9,877                     | 0.56      | 13,910       | 0.79      |

Notes: a Suitable for cash and subsistence crops.  
b Suitable mainly for tree crops.  
c Southern outer islands and Rarotonga.  
d Includes 85 persons "at sea".  
e Includes the uninhabited atoll of Suvarrow (0.5 km)



TABLE 2.3

TOKELAU ISLANDS : LAND AREA AND POPULATION BY ISLAND

| Island   | Land<br>area<br>(km <sup>2</sup> ) |        | 1961  | 1966  | 1972  | 1976  | 1981  | Intercensal<br>change 1976-81 |         |
|----------|------------------------------------|--------|-------|-------|-------|-------|-------|-------------------------------|---------|
|          |                                    |        |       |       |       |       |       | Number                        | Percent |
| Nukunonu | 4.7                                | Male   | 251   | 265   | 163   | 169   | 188   | 19                            | 11.2    |
|          |                                    | Female | 262   | 286   | 205   | 194   | 180   | 14                            | 7.2     |
|          |                                    | Total  | 513   | 551   | 368   | 363   | 368   | 5                             | 1.4     |
| Fakaofu  | 4                                  | Male   | 358   | 336   | 302   | 314   | 316   | 2                             | 0.6     |
|          |                                    | Female | 425   | 397   | 352   | 352   | 334   | 18                            | 5.1     |
|          |                                    | Total  | 783   | 733   | 654   | 666   | 650   | 16                            | 2.4     |
| Atafu    | 3.5                                | Male   | 265   | 291   | 272   | 264   | 273   | 9                             | 3.4     |
|          |                                    | Female | 309   | 325   | 305   | 282   | 281   | 1                             | 0.4     |
|          |                                    | Total  | 574   | 616   | 577   | 546   | 554   | 8                             | 1.5     |
| TOTALS   | 12.2                               | Male   | 874   | 892   | 737   | 747   | 777   | 30                            | 4       |
|          |                                    | Female | 996   | 1,008 | 862   | 828   | 795   | 33                            | 4       |
|          |                                    | Total  | 1,870 | 1,900 | 1,599 | 1,575 | 1,572 | 3                             | 0.2     |

Source: Tokelau Islands 1981 Census, Provisional Result, 1982.

TABLE 2.4

## KIRIBATI: POPULATION, LAND AREA, AND POPULATION DENSITY, 1982

| Island                 | Population<br>Dec. 1982<br>Estimate | Estimated<br>Area (km <sup>2</sup> ) | 1982<br>Population<br>Density<br>(Persons/km <sup>2</sup> ) |
|------------------------|-------------------------------------|--------------------------------------|-------------------------------------------------------------|
| <u>Gilberts Group</u>  | <u>57,545</u>                       | <u>285.5</u>                         | <u>201.6</u>                                                |
| Banaba                 | 72                                  | 6.2                                  | 11.6                                                        |
| Makin                  | 1,538                               | 7.9                                  | 194.7                                                       |
| Butaritari             | 3,440                               | 13.5                                 | 254.8                                                       |
| Marakei                | 2,560                               | 14.1                                 | 181.6                                                       |
| Abaiang                | 3,740                               | 17.5                                 | 213.7                                                       |
| Tarawa Rural           | 2,425                               | 15.3                                 | 158.5                                                       |
| Tarawa Urban           | 19,900                              | 15.8                                 | 1,259.5                                                     |
| Maiana                 | 1,880                               | 16.7                                 | 112.6                                                       |
| Abemama                | 2,690                               | 27.4                                 | 98.2                                                        |
| Kuria                  | 890                                 | 15.5                                 | 57.4                                                        |
| Aranuka                | 1,000                               | 11.6                                 | 86.2                                                        |
| Nonouti                | 2,690                               | 19.9                                 | 135.2                                                       |
| Tabiteuea North        | 3,290                               | 25.8                                 | 127.5                                                       |
| Tabiteuea South        | 1,310                               | 11.8                                 | 111.0                                                       |
| Beru                   | 2,455                               | 17.6                                 | 139.5                                                       |
| Nikunau                | 2,075                               | 19.1                                 | 108.6                                                       |
| Onotoa                 | 2,295                               | 15.6                                 | 147.1                                                       |
| Tamana                 | 1,580                               | 4.7                                  | 336.2                                                       |
| Arorae                 | 1,715                               | 9.5                                  | 180.5                                                       |
| <u>Line Group</u>      | <u>2,280</u>                        | <u>436.2</u>                         | <u>5.2</u>                                                  |
| Tabuaeran (Washington) | 450                                 | 14.1                                 | 31.9                                                        |
| Teraina (Fanning)      | 470                                 | 33.7                                 | 14                                                          |
| Christmas              | 1,360                               | 388.4                                | 3.5                                                         |
| Phoenix Group          | -                                   | <u>28.7</u>                          | -                                                           |
| Total                  | 59,825                              | 750.4                                | 79.7                                                        |
| Ships                  | -                                   | -                                    | -                                                           |
| <br>TOTAL              | <br>59,825                          | <br>750.4                            | <br>79.7                                                    |

Source: Statistics Office, Ministry of Finance

TABLE 2.5

TUVALU: POPULATION, AREA AND POPULATION DENSITY

| Island     | Population<br>mid 1983 | Land<br>Area<br>(km <sup>2</sup> ) | Population<br>Density<br>(persons/km <sup>2</sup> ) |
|------------|------------------------|------------------------------------|-----------------------------------------------------|
| Nanumea    | 906                    | 3.57                               | 254                                                 |
| Nanumaga   | 762                    | 2.59                               | 294                                                 |
| Niutao     | 917                    | 2.12                               | 432                                                 |
| Nui        | 650                    | 3.29                               | 198                                                 |
| Vaitupu    | 1,320                  | 4.90                               | 269                                                 |
| Nukufetau  | 739                    | 3.06                               | 241                                                 |
| Funafuti   | 2,620                  | 2.36                               | 1,110                                               |
| Nukulaelae | 355                    | 1.66                               | 214                                                 |
| Niulakita  | 95                     | 0.41                               | 232                                                 |
| TOTALS     | 8,364                  | 23.96                              | 349                                                 |

Source: Tuvalu Third Development Plan 1984-87.

TABLE 2.6  
PACIFIC ISLAND POLYNESIANS IN NEW ZEALAND, 1981: TYPE OF RESIDENT BY ETHNIC ORIGIN

| Ethnic Origin                  | Usually Resident in New Zealand |               |                     | Usually Resident Overseas |               |                  | Total Population |               |                     |
|--------------------------------|---------------------------------|---------------|---------------------|---------------------------|---------------|------------------|------------------|---------------|---------------------|
|                                | <u>Male</u>                     | <u>Female</u> | <u>Total</u>        | <u>Male</u>               | <u>Female</u> | <u>Total</u>     | <u>Male</u>      | <u>Female</u> | <u>Total</u>        |
| <u>Cook Island Maori</u>       |                                 |               |                     |                           |               |                  |                  |               |                     |
| Full Cook Island Maori         | 9,747                           | 9,480         | 19,227              |                           |               |                  |                  |               |                     |
| Total Cook Island Maori        | 12,060                          | 11,820        | 23,880              | 72                        | 90            | 165 <sup>1</sup> | 12,132           | 11,910        | 24,042              |
| <u>Niuean</u>                  |                                 |               |                     |                           |               |                  |                  |               |                     |
| Full Niuean                    | 3,420                           | 3,411         | 6,831               |                           |               |                  |                  |               |                     |
| Total Niuean                   | 4,071                           | 4,005         | 8,079 <sup>1</sup>  | 21                        | 21            | 42               | 4,095            | 4,026         | 8,121               |
| <u>Tokelauan</u>               |                                 |               |                     |                           |               |                  |                  |               |                     |
| Full Tokelauan                 | 1,002                           | 945           | 1,950 <sup>1</sup>  | 9                         | 9             | 18               | 1,011            | 957           | 1,965 <sup>1</sup>  |
| Total Tokelauan                | 1,164                           | 1,110         | 2,274               | 9                         | 9             | 211              | 1,176            | 1,119         | 2,295               |
| <u>Samoaan</u>                 |                                 |               |                     |                           |               |                  |                  |               |                     |
| Full Samoan                    | 16,866                          | 16,722        | 33,585 <sup>1</sup> | 138                       | 174           | 312              | 17,004           | 16,896        | 33,900              |
| Total Samoan                   | 21,204                          | 20,874        | 42,078              | 156                       | 219           | 375              | 21,360           | 21,096        | 42,453 <sup>1</sup> |
| <u>Other Polynesian</u>        |                                 |               |                     |                           |               |                  |                  |               |                     |
| Total Tongan                   | 3,615                           | 3,282         | 6,900 <sup>1</sup>  | 75                        | 81            | 153 <sup>1</sup> | 3,687            | 3,363         | 7,053 <sup>1</sup>  |
| Total Tahitian                 | 78                              | 90            | 168                 | 21                        | 33            | 54               | 96               | 126           | 222                 |
| Total Hawaiian                 | 12                              | 27            | 39                  | 12                        | 6             | 18               | 24               | 30            | 54                  |
| Total Other Polynesian         | 237                             | 258           | 495                 | 3                         | 3             | 9 <sup>1</sup>   | 240              | 261           | 504 <sup>1</sup>    |
| Mixed Polynesian, 2 or 3 Races | 2,490                           | 2,427         | 4,914               | 15                        | 24            | 421              | 2,499            | 2,451         | 4,953               |
| <u>TOTAL</u>                   | 44,928 <sup>1</sup>             | 43,896        | 88,827 <sup>1</sup> | 384                       | 486           | 873 <sup>1</sup> | 45,315           | 44,382        | 89,697              |

Notes: 1. There appears to be an error in additions.

Source: New Zealand Census of Population and Dwellings 1981, Vol. 8B: Pacific Islands Polynesians, Table 2.

### 2.3 Societies

The five small states studied are all very different. Although four of the five are Polynesian (Cook Islands, Niue, Tokelau, Tuvalu), Tuvalu belongs to a different sub cultural area defined by Burrows (1940) in comparison to the Central Polynesian culture area represented by the first two. Tokelau, lying to the north of Samoa, also belongs to a different sub culture - that of the West Polynesian culture area - and culturally shows many similarities to Samoa. Moreover there are considerable differences even between the Cook Islands and Niue. Niue shows strong Tongan influence (a result of early invasions) and is more markedly individualistic in its social structure. Kiribati is Micronesian ethnically and culturally, although traditional evidence points to early links with Samoa.

Cultural evolution under conditions of considerable isolation have however led to notable differences between neighbouring groups or even between neighbouring islands. Thus Te Rangi Hiroa (Sir Peter Buck) distinguished Manganian culture from that of the other southern Cook Islands group. The result has been to emphasise over time particularism and local identity (even although the sense of territoriality did not develop to the extent of leading to a tribal organisation of society as with the New Zealand Maori). Thus the three atolls of Tokelau all preserve a considerable degree of local identity that hampers to some extent modern needs for a sense of "national" unity. Geography as well as history therefore have led to the evolution over time of "cultures of isolation" which have resulted in tight knit kinship structures. The phrase is perhaps most true of the relatively conservative and traditional Tokelau and Kiribati and least true of Cook Islanders and Niue who increasingly since the 19th century have seen the sea as a highway rather than as a barrier.

All five societies are primarily organised around the principles of descent. Genealogy, position within the hierarchy of the descent group structure and seniority are usually important aspects, though kinship based on co-residence has also become important, as in Kiribati or the evolving village structure of Niue. A major contrast also exists between the proud Tuvalu where chiefly status and authority largely remain intact (Chambers 1984) and the Cook Islands, where Western impact had drastically disorganised society in the 19th century.

The impact of colonialism has also been important. "Indirect rule" as practised by Britain in the former Gilbert and Ellice Islands at least partially respected and buttressed the power of the chiefs of Tuvalu or the authority of the gerontocracy in the maneaba (meeting house) of the more egalitarian Kiribati islands. In contrast the already weakened ariki of the Cook Islands were made even more powerless and irrelevant by the direct rule policies practised early this century by Colonel Gudgeon, creating something of a social vacuum that led to the conditions deplored by the Belshaw Stace Report 40 years later.

The "fatal impact" of the West on the South Pacific in the 19th century not only drastically reworked island societies through the effects of the notorious labour trade and introduced diseases. It opened new horizons and introduced mobility. Though the profound "missionisation" process enabled the disorganised societies to be reorganised under a neo Victorian culture and a new religion that brought reintegration, mobility affected more and more islanders. In the twentieth century young men went to work on copra plantations, phosphate islands or for various European enterprises and "proletarianisation" persuaded more and more that life in the village growing a few cash crops for distant, uncertain markets was less attractive than a regular and sizeable pay packet that could be gained by regular employment in New Zealand cities. The expansion of capitalism in the South Pacific

and the dominance of its regional metropolises such as Auckland in the period of accelerated social change after World War II became more pronounced, undermining the autonomy of island economies and drawing them more fully into the sphere of influence of the growth poles. Islanders gradually came to see that their old island no longer confined them; their new "island" was the whole South Pacific. The new meccas were Auckland - destined to become the largest Polynesian city of all - Wellington, Tokoroa and other centres. Although perceptions are slow to change and many New Zealanders would still persist in believing their country to be "Britain in the Antipodes", New Zealand was forging important new links and relationships in the region; it was changing from being a country located, more or less fortuitously, in the South Pacific, to a country of the South Pacific. It is time that full recognition be accorded to the new position and the new role of New Zealand in the South Pacific so that new and appropriate policies can be designed.

## NOTES TO CHAPTER TWO

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<sup>1</sup> In the western South Pacific (Papua New Guinea, Solomons, Vanuatu, Fiji, Kiribati and Tuvalu) Australia is much more influential than New Zealand. New Zealand influence is strong in Western Samoa, Cook islands, Niue, Tokelau and Tonga. To the east, of course, lies French Polynesia.

## CHAPTER THREE

### DECOLONISATION AND NATIONHOOD

“The aim is to bring these territories to self-government within the next two or three years. The challenge is to embody this aim in institutions which have direct relevance to the needs of the islands. Doctrinaire schemes are not always useful. Institutions borrowed from other countries, including New Zealand, though excellent in themselves, may not be workable in 19 Pacific Islands. The only reliable guide is a kind of constitutional pragmatism.” (Statement to the United Nations Committee on Non Self Governing Territories by the New Zealand Representative, on the Political, Constitutional, Economic and Social Development of the Cook Islands. New York, April 1963).

“Size, history, or geographical situation make no difference to the goals of political progress.” (Ibid).

“New Zealand has, over the years, built up a complex series of links with its Pacific neighbours. With some these are very intimate indeed, based on the settlement in New Zealand of permanent communities and in continuing constitutional relationships ... The web of relationships is so all pervading that to ignore them would be to ignore important areas of New Zealand's domestic life.” (Ministry of Foreign Affairs Annual Report, AJHR 1982 A1, p.5.)

#### 3.1 Introduction

Keynes, in a famous passage<sup>1</sup>, once suggested that ideas taken out of context can acquire a pernicious life of their own as political dogma, guiding policymakers in directions which common sense would have avoided. The history of the past three decades in the Pacific provides a case in point: ideas and institutions devised in other times and other places, to answer other people's needs, have been unloaded indiscriminately across the region in accordance with the priorities and interests of outside powers. This is as true of the recent pursuit of “decolonisation” and nation building as it was of the preceding eras of social engineering.

The small island societies of the Pacific have three times in the past century been subjected to a European conceived and executed process of partial demolition and rebuilding of their social and political order. The missionaries of the nineteenth century constructed “neotraditional” village society on the rubble of the pre Christian order; the colonial rulers of the first half of the twentieth century added bureaucracy and some of the trappings of the welfare state; and the decolonisers of the 1960s and 1970s squeezed the resulting amalgam into the constraining mould of written national constitutions and technocratic “development plans”.

All three of these waves of ideological evangelism have been backed by an “international consensus of opinion” supporting the imposed changes. All three have claimed legitimacy on the basis either of Islanders' acquiescence (“the wishes of the people”) or (failing this) the evangelists' perceptions of “the Islanders' own best interests”. All three, finally, have

had to come to terms with Island realities - which is to say that the end product has not always been quite what the original architects had in mind.

For those who take comfort in dialectical models of social change, the Pacific offers excellent case study material. Outside institutions are superimposed upon pre-existing Island society; as the dust settles, a new order emerges, with the latest set of palagi rituals and institutions digested into a revised version of the local social system. What is striking about this process is that it has generally been initiated and driven by forces far away from the Islands themselves in space and time: the after-math of European Reformation and the rise of industrial capitalism in Western Europe; the inter imperial rivalries among the European powers (including the USA) in the late nineteenth century, and the consequent construction of spheres of influence in the Pacific as elsewhere in the colonial world; and finally the driving force of African and Asian anti-colonial nationalism, supported by social democratic anticolonialism within the colonial powers as the economic, military and political fruits of empire waned and the costs rose.

There is a curious divorce, in the Pacific Islands, between the political fallout from global forces of social and economic change, and the ongoing economic and social reality of the region itself.

Pacific “superstructures” have generally been constructed without “bases”, or in defiance of such “bases” as existed. Colonial administration was instituted largely to curb, rather than reinforce, the operation of the main manifestations of capitalist advance in the Pacific in the nineteenth century - namely the missionaries and the labour market. Similarly, post colonial institutions - especially the “nation state” - have been constructed on the basis of supposed national “identities” which are cultural and geographic, rather than economic or social. The anomalies which result - “countries”, many of whose people live elsewhere, whose onshore economies are conspicuously incapable of generating the economic surplus required to support a nation state superstructure, whose “national identities” have to be “constructed” as an ex-post validation of decolonisation - reflect the fact that constitutional and political change in the Islands since the Second World War has not sprung primarily from domestic, social and economic forces.

There are two important reasons for this. The first is that the Island societies are tiny in relation to the forces sweeping in from the surrounding world, so that economic and social forces generated locally are too weak to prevail. Of all the much discussed problems of smallness, this is probably the most important - sheer lack of “mass” in any contest or competition against the driving self interest of larger countries, or international agencies, or missionary organisations of one sort or another. The second is that the imported institutions and rituals demanded by the outside world are seldom lethal to the key elements of the economic and social “base”, while at the same time they generally bring tangible rewards in the form of increased possibilities of material consumption and provision of desired services for the local population.

Precisely because of the importance attached by evangelists to “outward and visible signs” of progress, they have usually been prepared to leave untouched the more solidly resistant elements of the local society. During decolonisation the really basic issues - land tenure, citizenship, access to established niches in the Pacific Basin labour market, externally subsidised provision of welfare services - have been readily conceded by outside reformers whose brief was merely to bring local political institutions into an internationally recognised form, and then to prop them up with so called “development aid”.



The result may be schizophrenic, but the “dual society” is a far less pathological system in the Pacific than in many continental areas of the “peripheral” world. Nevertheless, dualism throws up familiar issues, in the Pacific as elsewhere, and most of the perceived “policy problems” in Pacific ministates arise along the interface between the two sectors, or personalities, or whatever we choose to call them. “Economic development” in the (outsiders’) sense of the rise of an autonomous, geographically localised capitalist economy, is by definition unachievable so long as Island economies remain closely integrated into offshore capitalisms. Where the latter integration is protected by a social contract negotiated during “decolonisation”, an awkward contradiction arises: the new political institutions (particularly the large bureaucracies) are legitimised as being necessary for “development”, yet the type of “development” sought is outside the feasible set for “states” such as Niue or the Cook Islands<sup>2</sup>. To make the pursuit of “development” so conceived at all realistic, it is necessary to subvert the social contract by a direct attack on one or more elements of the socioeconomic “base” - at which point the national political institutions lose the other side of their legitimacy, namely democratic accountability.

Or again, the question of “independence” as distinct from “free association” or “political integration” brings up the clash between the interests of the political bureaucratic elites who inhabit the postcolonial state superstructure and find international diplomacy entirely congenial, and the diametrically opposed centripetal logic of economic and social forces which bind small island societies into close integration (so called “dependence”) with other parts of the Pacific regional economy.

We turn now to survey the events of the post 1945 era in the three mini societies of New Zealand's Pacific sphere of influence - Niue, Cook Islands and Tokelau. The conceptual and policy issues which emerge in the course of the discussion will be pulled together at the conclusion of the chapter.

### 3.2 Decolonisation

Strictly speaking, the word “decolonisation” means simply the ending of a colonial state of affairs, without any necessary implication of what is to follow. In practice, however, “decolonisation” has come to mean the colonial powers' response to the anti-colonialist and nationalistic ideologies developed in Asia and Africa from the 1920s on, and especially after the Second World War<sup>3</sup>. The indigenous leaders of countries such as India, Indonesia, Algeria, Vietnam, Ghana and Kenya organised their anti-colonial campaigns around a specific vision of what was to replace the great colonial empires. Central to their ideas was the call for sovereign independent nationhood, and linked with this was the assumption that once the political framework had been secured, autonomous national economic development could be achieved by planning and aid. (Latin American leaders and commentators, after a century and a half of political independence, were understandably more cautious on this last point, and it is not surprising that “dependency models” derive from that source).

As newly independent nations were admitted in growing numbers to the United Nations at the end of the 1950s, a situation emerged where they, together with the Socialist Bloc countries, commanded a voting majority in the General Assembly and could therefore enforce a change in UN policy on the colonial question. The UN thereupon became the agency for a rapid demolition of the old colonial empires - a crusade which was accompanied by a great deal of revolutionary rhetoric and the declaration of a number of

principles which all nation states should be bound to observe in relation to dependent territories and peoples.

When, therefore, “decolonisation” gathered momentum in the Pacific during the 1960s and 1970s, it was easy for observers to suppose that what was occurring was a reproduction, with UN support, of the processes which had carried Asian and African colonies to national independence. The standard historical model was one in which non-European peoples were originally colonised against their will, and eventually decolonised as the culmination of a popular liberation struggle, asserting the subject people’s emergent national interests against those of the colonial power. Decolonisation was thus a “victory” for the subject people, and a “defeat” for the colonialists, and the legitimacy of the post colonial state rested firmly upon a revolutionary foundation.

Whatever the merits or demerits of this model in its original setting, it is quite misleading when transferred to discussion of the small Pacific societies. Colonial rule in the Pacific had certainly generated dissatisfaction over the behaviour of some administrators, but it had not generally sparked off local revolutionary nationalism or any very strong pressures for the ending of colonialism as such<sup>4</sup>. At the same time, by the 1960s disengagement had become the main goal of the UK, Australia and New Zealand. (France and the USA lie outside the scope of the present study). As Herlihy suggests<sup>5</sup>, by the 1960s the so called “struggle for independence” had become “more rhetorical than real”. “After UN Resolution 1514 demanded the bringing to a speedy and unconditional end colonialism in all its forms and manifestations, most colonial powers saw little political advantage in delaying independence until a country was politically and economically ready for it, or until it was demanded by a majority”. Thus “for small countries like the small Pacific nations, most of which reached independence in the final years of the era, the struggle usually was against being left, unprepared and ill equipped, to build a viable nation”.

In the five societies covered by our study, decolonisation was initiated and directed by the colonial powers, encouraged by the United Nations, via a set of processes which paid little attention to actual local wishes or conditions. The result has been the emergence of a set of small political units whose status is profoundly ambiguous and whose future is genuinely unsettled. What has officially been described as “political development” has consisted of the grafting on of institutions which were originally evolved to meet radically different needs in the nation states of Europe and the British Dominions; the real political development of the past two decades has lain in the ways in which each island society has adjusted to the impact of those institutions, and in the various subtle (and not so subtle) changes which island leaders have been able to make in the grand designs of the decolonisers.

In December 1960 the UN General Assembly adopted the Declaration on Colonialism, Resolution No. 1514. The resolution stated that “all peoples have an inalienable right to complete freedom, the exercise of their sovereignty and the integrity of their national territory”, and called for strenuous efforts by the UN to put an end to colonialism everywhere, through the agency of a new Committee on Decolonisation (later the Committee of Twenty Four). This resolution, for which New Zealand (still under the policies of the outgoing Second Labour Government) voted, imposed an international moral obligation on colonial powers to offer independence to their colonies, but left the door open for the peoples of these territories to choose some other political status if they wished.

The following day - December 15 - the General Assembly approved Resolution 1541, which was ostensibly addressed to the issue of “whether or not an obligation exists to transmit information under Article 73e of the Charter”. (This section set out the obligation of colonial administering powers to account annually to the UN Fourth Committee for their “stewardship”). The Resolution stated that the obligation to report to the UN would cease once territories attained “a full measure of self- government”, and it laid down the principle<sup>6</sup> that

“A non self governing territory can be said to have reached a fullmeasure of self government by

- (a) emergence as a sovereign independent State;
- (b) free association with an independent State; or
- (c) integration with an independent State.”

Read in conjunction with Resolution 1514, this principle made it possible for colonial administering powers to meet their obligations to decolonise their dependent territories by giving the inhabitants a free choice amongst independence, integration, or free association. (It should be noted that Resolution 1514 did not explicitly rule out the possibility that a colonial people might wish to retain the colonial status quo. It simply proceeded on the assumption that this would not happen; and the colonial powers generally lacked the courage to include the status quo in the list of options presented to their subject peoples. This point becomes highly relevant when we turn to the case of Tokelau, below).

The category “free association” had been apparently tailor-made for cases such as the small island territories of the Pacific, where links such as citizenship and preferential market access to the metropolitan countries were highly valued, and where the pre conditions for viable sovereign nationhood seemed to be lacking.<sup>7</sup> The idea was that links between a dependent territory and a more powerful or wealthier state could be acceptable so long as there was no trace of coercion of the weaker party by the stronger. The association had, therefore, to be sought and defined by the weaker party, and merely agreed to be the stronger; and there should be no legislation passed by the stronger party to bind the weaker party into the relationship. “Free association” was thus designed to provide positive discrimination in favour of the small and the weak, enabling them to benefit if they wished from the benevolence of their former colonial power, without incurring any binding reciprocal obligation.

While the intention of this provision was irreproachable, its drafters overlooked (or were unable to make allowance for) the fact that in the real world, power is power and weakness is weakness. There therefore existed the possibility that colonial powers might push their territories into “free association” in order to avoid the problems posed by integration.

In the Cook Islands, Niue, and Tokelau, New Zealand policy is open to this interpretation. In promoting a process of “political development” and “decolonisation”, New Zealand sought to secure a declaration from the local people that full independence was not desired, while at the same time acting to sidetrack any local pressure in favour of political integration with New Zealand, and then to urge the dependent territory concerned forward along the “corridor” thus created, leading to the status of “self government in free association with New Zealand”. There is no doubt that the motives of most of the policymakers at the New Zealand end were genuinely to achieve a result which would be “best for the island peoples” as Wellington saw it. There can equally be no doubt that New Zealand assiduously cooperated with every United Nations requirement along the way, and

that New Zealand's actions have consistently been ratified by both the Fourth Committee and the Committee of Twenty Four. None of this alters the fact that New Zealand's dependent territories were not really offered the free choice which both the letter and the spirit of Resolutions 1514 and 1541 required. They have instead been led through a set of procedures designed to satisfy the United Nations while keeping the island territories at full arm's length from New Zealand. The present situation is one in which the options between free association and total integration have never been seriously discussed in the Islands. We begin, therefore, by looking at the options in principle.

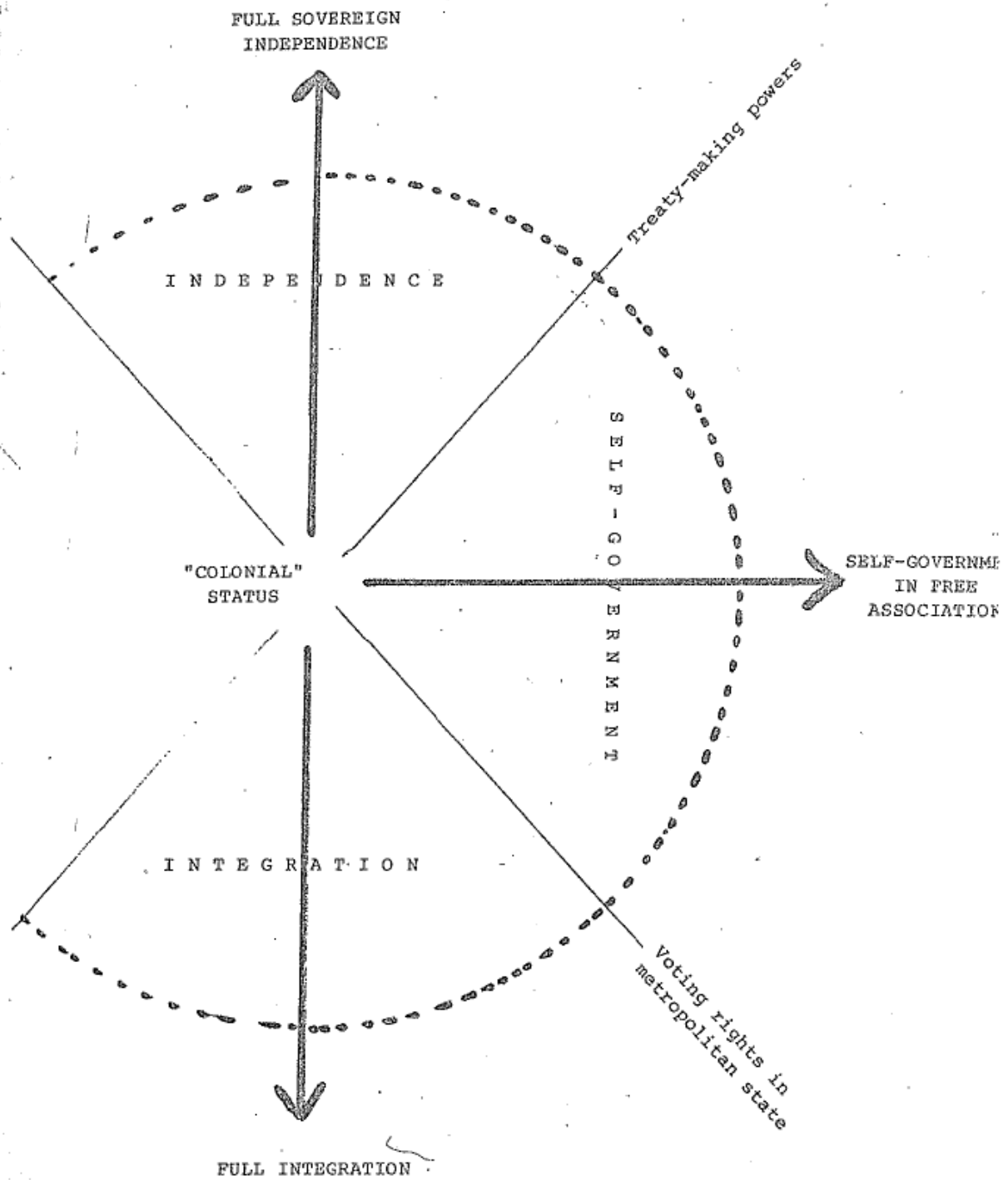
### 3.3 The Alternatives

It may be helpful to set up a simplified model of the alternative possible courses which could be followed, starting from colonial or “dependent territory” status. The diagram below should be read as a map or compass dial, divided into “zones” each of which contains a distinct political “future”. From the colonial starting point, a community may move in any of three directions. To the “north” lies full sovereign independence – a state of affairs in which all formal ties with the previous colonial power are cut, and in which the relationships between the territory and the former administering power are thereafter mediated through the normal channels of international relations. In other words, the two parties become nominally equals, dealing with each other government to government, and with all powers of national government held, without restriction, by the newly independent state. Citizens of the former colony become citizens of the new nation state, and retain “rights” in the former colonial power only insofar as such rights may be unilaterally conferred by the government of that nation. (Thus rights of free entry, for example, arise from the willingness of the former colonial power to accommodate its former subjects, and may be restricted or withdrawn at its sole discretion – as occurred with New Zealanders' access to the UK in the 1960s, and with Western Samoans' access to New Zealand in the 1970s).

To the “south” lies political integration with the former colonial power, to form a single national unit in which the former colony and its inhabitants enjoy all the rights and privileges of other citizens, including the right to elect representatives to the national parliament or congress and the right to benefit from social security and other state-run schemes. The most important point to note about the integration quadrant of our compass diagram is that we have drawn it as a full quadrant – in other words, “integration” covers a range of possible outcomes. Directly to the “south” (that is, diametrically opposite the fullest of full independence) is total integration, an option in which the separate identity of the colonial territory, and all its distinctively local institutions, are submerged in the larger nation of which it forms a part, so that there is literally no distinction nor discrimination between inhabitants of the former colony and those of the former colonial power.

Moving around the integration quadrant to the right, we pass through a series of options involving progressively greater degrees of local identity and autonomy within the integrated nation – that is, we move from the centralised unitary nation state of due “south”, to the form of a decentralised federation by the time the “boundary” of the integration quadrant is reached (“southeast” from our starting point). Federal arrangements are characterised by a large degree of local identity and autonomy – they are

FIGURE 3.1  
DIRECTIONS OF POLITICAL DEVELOPMENT



a type of constitution designed to deal with precisely the sort of differences which would need to be into account in any serious proposal for integration of the Islands with mainland New Zealand. The options at the SE boundary of our integration quadrant, thus, combine the two key elements of local autonomy over local affairs, and formal (voting) membership of the wider national unit. (Historically, it is noteworthy that in the days when New Zealand was seriously interested in integration with the Islands, the proposed constitutional form was a federal one<sup>8</sup>.)

In contrast to the state of affairs with full independence, relationships between the two parties under integration are intra-national, not international. International relations with the rest of the world are conducted by the single national unit through its foreign affairs machinery, on the basis of a perceived “national interest” which includes all members of the nation. From an international point of view, in other words, the nation has a single shared international “personality”, although local “personalities” may continue to exist within the polity. Another way of putting this is to say that of all the departments of State, the only one with which the former colonial territory would not have any direct contact under integration would be the foreign affairs ministry. Under independence, in contrast, the only department of State in the former colonial power with which the former colony would have dealings would be the foreign affairs ministry.

“East” from colonial status lies a quadrant labelled “self government in free association”. This comprises a set of options which are, in one way or another, compromises among the three adjacent sets. (Thus, thinking in terms of formal set theory, this quadrant is a zone of overlap among the three clearly defined sets “colony”, “nation state”, and “province”.) Not surprisingly, therefore, this set is the most difficult to define clearly; ambiguity is the keynote. (As the New Zealand representative at the United Nations put it in 1965, describing the new Cook Islands constitution, “the end result may not appeal to the legalistically minded or to the purist. It is neither fish nor fowl, neither sovereign independence nor dependence”<sup>9</sup>). A community located in this quadrant is not integrated politically with the former colonial power, since its inhabitants do not have voting rights in the latter's political system. On the other hand, the community is not classifiable as a fully independent sovereign state, since it continues to share in the international personality of the former colonial power, and its inhabitants retain certain rights, such as citizenship and access<sup>10</sup>. For individuals, the ambiguity of the situation lies in their being politically members of one “country” but juridically members of another. For the ruling group in the territory, an informal balancing act is required, since they are not subject to the direct authority of the nation with which they are “associated”, yet they cannot afford to act in ways which would render the association null and void.

This last point captures the essence of the distinction between colonial status and free association. As a colonial territory, a community is legally subjected to the dictates of the suzerain power; under free association it is voluntarily so subjected. In either state of affairs the suzerain power may choose to use its power with a light or a heavy hand; but in neither is that power extinguished. In neither state of affairs, furthermore, does there exist any direct means (such as the election of representatives to a central parliament) by which the inhabitants of the dependent territory can, as of right, influence policy in the suzerain state; their influence on the policies of the suzerain state must be via representations by the dependent community to the executive (rather than the legislature) of that State. Such representations have the form of international relations; yet the substance (the issues at stake) consists mainly of the sort of matters which more normally belong to the intra-national category for example, the determination of the rights and duties of citizens, and

the definition of the “shared personality” which is to be jointly presented to the outside world in the field of international relations.

Ambiguity extends to the ways in which the status of “self government in free association” can be interpreted by outside observers. From one point of view, this can be seen as the quintessence of neocolonialism: the colonial power relinquishes formal control (and sheds the burdensome duties of nuts and bolts local administration) while retaining real control over the areas which affect its vital national interests - namely, foreign affairs alignments, and the general outlook of the local government. From another point of view, the situation can be interpreted as an alternative to neocolonialism: a community which could not have sustained a genuinely- independent stance in the real world has parlayed its weakness into concrete advantage, and has exercised its free choice in the selection of a protector. Both interpretations have grains of truth in them; neither on its own captures the full complexity of the social contracts between, for example, New Zealand and its former dependencies.

What is clear about this ambiguous constitutional arrangement is that in practice it is what the parties make of it. It takes two to define a “special relationship”, and the relationship can persist on a genuinely voluntary basis only so long as the two parties have substantially overlapping interests. At the same time, the shape and limits of the relationship will tend to be formed by the tensions between the interests of the two parties, and by tensions within each of them among various interest groups. Self government in free association is a non-colonial, non-integrated, and non-independent status. It can persist as a stable state of affairs, therefore, only so long as there is no dominant interest pressing for one of the alternatives. By “dominant” here, we mean both strong enough to determine policy, and pursuing a policy which lies in the feasible set. Thus, a strong pro-independence lobby coming to power in the dependent territory is in a position to realise its objectives, by unilaterally cutting the ties of the special relationship. (It would then remain to be seen whether the dominant partner resorted to extra legal means to restore the status quo ante). On the other hand, a pro-integration lobby coming to power in the dependent territory would have no such ability unilaterally to realise its policies, since a move to integrated status would require bilateral agreement<sup>11</sup>. Similarly, a pro-colonial lobby coming to power in the dominant country would not be in a position to carry out its wishes without either securing the acquiescence of the dependent territory, or using force to impose its will. On the other hand, a pro-independence government in the dominant country could go far towards pushing the dependent territory towards full sovereign nationhood - for example, by formalising all links as government to government contacts via the foreign affairs machinery, by declining to take responsibility for the conduct of the dependent territory's international relations, and by withdrawing some or all of the benefits which had made free association attractive to the dependent party.

In terms of our diagram, the five mini-societies covered by this study are dispersed among three of the four regions. Tuvalu and Kiribati are fully independent nation states, having been moved by Britain through a swift progression first “north east” (to full internal self government) and then, after minimal delay, “north” to their present status, with the political separation to be underpinned in the near future by the phasing out of British financial support. Tokelau remains a colony, firmly opposed to independence and finding formal colonial status preferable to the looseness of free association; any movement from the status quo is as likely to be “south” as “east”. Niue moved “east” in 1974, with strong New Zealand encouragement, and has since followed a wavering course which seems likely to settle eventually against the “southern” boundary of the free association quadrant (i.e. as a candidate for possible political integration). The Cook Islands, in contrast, having moved

initially “southeast” into free association in 1965, have since drifted steadily (again with New Zealand encouragement) towards the “northern” boundary of “free association”, with the emergence of an embryonic “international personality” of their own, and a very careful balancing act required to avoid inadvertent crossing of the boundary into full independence.

What is striking is the absence to date of any case of integration between New Zealand and its former dependencies. This immediately raises the question of whether the option was unattractive to the dependencies, or to New Zealand, or both. The short answer (to be elaborated below) appears to be that integration has been ruled out by New Zealand's domestic political considerations. The Islands have been offered (and have unanimously rejected) the option of moving due “south” to the extreme version of integration. They have not been offered (but have all at various times nibbled at) the option of moving southeast, into some sort of loose federation with New Zealand. The constitutional advisers appointed in the cases of the Cook Islands and Niue advanced proposals which would have involved moving the territories into the self government quadrant, but “throwing a line” over the fence to the south. These proposals have all come to nothing. There appear to be grounds for suggesting that, had federal style integration been offered at the time of decolonisation, it might well have been accepted in preference to free association<sup>12</sup>. From the standpoint of 1984, however, matters are less clear; much water has flowed under the constitutional and historical bridges since 1960. On the one hand, experience with self government has created some centrifugal tendencies within New Zealand's sphere of influence which makes full independence for, say, the Cook Islands, a more credible option than may have been the case two decades ago. On the other hand, the international and regional climate has altered from the strong anti-colonialism and pro-nationalism of the 1960s to a much greater sympathy for integration on both the economic and the political levels.

### 3.4 Why Not Integration?

The debate, such as it has been, on integration as an option for New Zealand's dependent territories, has taken place at two levels: theoretical and political. To illuminate the theoretical debate, it is useful to begin with Principle VIII of UN Resolution 1541, passed in December 1960. This Principle states that integration between a formerly non self governing territory and its administering power must be on the basis of

“complete equality ... equal status and rights of citizenship and equal guarantees of fundamental rights and freedoms without any distinction or discrimination; both [peoples] should have equal rights and opportunities for representation and effective participation at all levels in executive, legislative and judicial organs of government.”

Principle IX of the same Resolution makes it clear that the dependent territory's choice of integration must be a genuinely free and informed one:

“the integrating territory should have attained an advanced stage of self government with free political institutions, so that its peoples would have the capacity to make a responsible choice through informed and democratic processes.”

These two provisions clearly reflect an underlying scepticism about the motives of the colonial powers, and an anxiety to protect the peoples of dependent territories from being dragooned into integration on unfavourable terms. They can also be read, however, in quite



a different sense, to suggest firstly that positive discrimination (the recognition and protection of specific local interests or characteristics) is inconsistent with UN principles of integration, and secondly that colonial peoples should not become integrated with a colonial power until they have reached an advanced stage of political maturity (that is, until they are “ready”).

New Zealand's official position since the Second World War has tended towards the latter pair of arguments, and UN Resolution 1541 of 1960 was thus easily incorporated into a continuing policy stance. In 1945-46 the Cook Islands Progressive Association had proposed that the Group should have representation in the New Zealand Parliament; the Minister of Island Territories refused, “saying that all New Zealand taxes, including the 20 percent sales tax, would have to apply to the islands, and parliamentary representation would not be compatible with the type of local government which the islanders wanted”.<sup>13</sup> In 1955 the Belshaw/Stace report, on the basis of what appears to have been a clear consensus of official thinking at the time<sup>14</sup>, claimed that it would not be in the islanders' best interests to be fully integrated with New Zealand, since the simultaneous application of New Zealand taxation and social security laws might<sup>15</sup>

“not only ... enormously increase the New Zealand subsidy, but also enable a substantial body of the population to retire comfortably on the proceeds from child allowances and other benefits ... (the integration proposal) is hardly calculated to develop satisfying and self reliant communities in the Islands, and is in conflict with the legitimate desires of other groups and their leaders for greater measures of self government. Hence we believe leaders who press such claims are unwittingly doing a disservice to their people ... The people must be given some alternative to the current political programme of one or two leaders whose main theme appears to be to glean the fullest advantages from being a part of New Zealand, at the expense of the New Zealand taxpayer, rather than promote organisation of the Maori people to obtain better conditions of life by their own efforts ...”

Belshaw and Stace went on to address the question of parliamentary representation:<sup>16</sup>

“... Representation in the New Zealand Parliament: We understand that a move is afoot to obtain Cook Island representation in the New Zealand Parliament. We do not regard this as desirable in the present stage for several reasons, and would aim at offering the alternative of more active programmes, and fuller scope for participation in them. The reasons why we do not regard any form of participation in the New Zealand Parliament as desirable at present are:

- (a) While representing the separate islands has meaning, representing the Cook Islands as yet has no meaning...
- (b) Representation in the New Zealand Parliament would therefore be largely fictitious ... what would be represented would be the interests of a section, or more probably of the manipulative leaders of that section.
- (c) Cook Islands problems would be thrown more fully into the arena of party politics ... (T)his might greatly embarrass the patient and persistent pursuit of policies which take time to come to fruition. At some future time the position may change, and a stronger case

can then be established for some form of representation in the New Zealand Parliament.”

Belshaw and Stace thus set out most of the standard official case against political integration: firstly, that it would unavoidably involve the submergence of local identity and institutions (i.e. would rule out local self government); secondly, that local self government was necessary for the achievement of New Zealand prescriptions for the economic and social development of the Islands; and thirdly that the Cook Islands lacked sufficiently clearly defined interests to give meaning to representation at that time (and hence would become merely the plaything of “manipulative leaders” and “party politics”).

Of these three lines of attack, it was the first two which were, and have remained, the central proposition of conventional thinking. Conditions in the Cook Islands differ from those in New Zealand, and special allowance for those differences needed to be made. Such special allowance for local conditions, in the view of a long series of New Zealand commentators, simply could not be made within the framework of an integrated political unit. As Belshaw and Stace insisted (in a sentence which subsequently became a standard cliché in public discussion), “in the present and foreseeable future, the Cook Islands cannot be a part of New Zealand in the same sense as Taranaki or Napier ...: not politically, administratively, socially, or economically”.<sup>17</sup> The following year, the same theme was taken up by Professor Colin Aikman in his constitutional report:<sup>18</sup>

“Superficially attractive as proposals for Cook Islands representation in the New Zealand Parliament may be, they have little relation to existing circumstances and needs. If it were practicable and desirable that the territory should be administered as an integral part of New Zealand, it would be appropriate that the local population should be given a direct voice in the New Zealand Parliament; but if, as is recommended in this report, immediate political development should be in the direction of giving greater autonomy and responsibility to representative institutions in the territory itself, it would be unreal and incompatible to give the territory direct representation in the New Zealand Parliament.”

By 1962, when the New Zealand Government unveiled its plans for full internal self government in its territories, the official line of argument against integration had been bolstered by a narrow reading of Principle VIII of US Resolution 1541, quoted earlier. Announcing New Zealand's plans to the Cook Islands Legislative Assembly in July 1962 the Minister of Island Territories, Leon J Gotz, dealt with the integration option in the following terms:<sup>19</sup>

“[Integration] would mean that you would receive the same treatment as, say, the province of Taranaki. All the laws of New Zealand would apply here - not only some which you would like, but also a number which you would probably not like. Under this system you would, in place of a Legislative Assembly of your own, have representation in the New Zealand Parliament. But what would that representation amount to? The Cook Islands on their own would not be big enough to have even one Member of Parliament - you would have to share one member with Niue and the Tokelaus. I think this one member would have a very difficult job trying to please nineteen separate islands so

different from one another. I think, too, that his voice would sound very small in a Parliament of eighty members ... If you have a representative in the New Zealand Parliament and come completely under New Zealand law, you will immediately go back to the system we have just abandoned where all major decisions were made, not in Rarotonga, but in Wellington. I wonder if you would like that to happen.”

The outside observer reading this is left bemused. Why would integration have been incompatible with the survival of autonomous local government? Why should representation in the New Zealand Parliament have been on a basis that would effectively prevent Cook Island (or Niuean, or Tokelauan) concerns from being clearly presented and heard? Why could no restriction be placed upon the application of New Zealand laws to the Cook Islands - or alternatively, why could New Zealand laws not be adjusted to take account of conditions in the Islands, if these became part of an integrated unit? Why, in summary, did the New Zealand Government adhere to an interpretation of “integration” so strict and total as to render this option indistinguishable from a form of colonial rule more draconian and insensitive than anything New Zealand had ever contemplated as an actual colonial power?

The answer lies in New Zealand's own constitutional evolution, and in the implicit assumption that integration of (say) the Cook Islands would have been on the basis of the pre-existing New Zealand constitutional order, with no concessions whatever to the conditions or needs of the Islands. New Zealand had abandoned provincial government nearly a century before and settled for a strongly centralised state. The concept and institutions of regional autonomy were therefore foreign to New Zealand minds, and there is no trace of irony in Belshaw/Stace's suggestion that the Cook Islands “cannot be a part of New Zealand in the same sense as Taranaki”. Taranaki, it should be recalled, had never been a province in the era of provincial government, and its identity in the 1950s was cultural rather than constitutional. Taranaki had a rugby team, but institutions such as the Taranaki United Council lay twenty years in the future; and that Council today has less real local autonomy than the Cook Islands Legislative Assembly possessed by 1962. The Taranaki analogy was relevant only as an indication of the inappropriateness of full integration of the Cook Islands into the New Zealand polity as the latter was constituted in 1962, and it was in this sense that Mr Gotz used the analogy in his speech.

It was, in other words, the absence of a vital tradition of local and regional autonomy in New Zealand that rendered unacceptable a constitutional arrangement which would have conceded internal self government to the Island territories while binding them explicitly into the New Zealand nation. Reinforcing this was the fact that New Zealand in 1949 had abandoned its upper house of Parliament (which had never functioned as a means of giving weight to specific minority or regional interests, as upper houses in federal states are designed to do). One obvious means of providing the Island territories with a clear voice in the New Zealand legislature, by appointments to the upper house, was therefore lacking by the time decolonisation options came forward for public debate in the 1960s.

Had New Zealand politicians and public been willing, however, there is no doubt that an arrangement could have been worked out corresponding to the “southeast” segment of our diagram (Figure 1) - that is, granting substantial local autonomy to Island legislatures, while providing for Islander representation in the New Zealand Parliament. In this connection, it is interesting to turn to the reports written by constitutional advisers for first

the Cook Islands, and then the Niue, Legislative Assemblies during the period when these were considering proposals for a shift to full self government.

In September 1963 a group of New Zealand advisers presented a report to the Cook Islands Assembly.<sup>20</sup> Most of this report was taken up with the detail of the proposed new Constitution, which set up in miniature the entire apparatus of a nation state, with Cabinet government, Head of State and independent judiciary. In a section entitled “Relations with New Zealand”, however, the report addressed the problem of defining the special relationship under which New Zealand would remain responsible for international relations, would continue to provide budgetary support and audit services, and would deal on a government to government basis with the Cook Islands Government. Alongside these elements, the report pointed out, it would be necessary to work out some set of relations with the New Zealand Parliament, as distinct from the executive branch of government. “In view of the position of Cook Islanders as New Zealand citizens and of Cook Islands dependence on New Zealand grants and on trade with New Zealand, it is obviously desirable that there should be some relationship between the Cook Islands and the New Zealand Parliament”, the report stated.<sup>21</sup>

“It might seem that the obvious way of achieving this objective would be through provision for a Cook Islands member in the New Zealand Parliament. Such an arrangement would be a logical one, constitutionally; and there are ample precedents for it. It would ensure that full discussion of Cook Islands matters could take place publicly and with the participation of representatives of both New Zealand and the Cook Islands.”

The report continued “There are, however, a number of difficulties”, which it set out as follows:<sup>22</sup>

“... On the New Zealand side, there would obviously be a reluctance to concede full voting rights to a Cook Islands member, since the residents of the Cook Islands do not pay New Zealand taxes and since the population of the territory is somewhat less than that of an ordinary New Zealand electorate. There might be less objection to having a member with the right to vote only on matters relating exclusively to the Cook Islands. ... Either proposal would represent an innovation from the New Zealand point of view; and one could not predict the reception that would be accorded by the New Zealand Parliament.

If the New Zealand Parliament favoured Cook Islands representation, it might consider that the Cook Islands member should, like all other members, be directly elected by the people. A member so elected would not necessarily share the view of the Government of the Cook Islands. ... From the Cook Islands point of view, there would be some advantage in having a member nominated either by the Cabinet or by the Legislative Assembly. Parliament might, however, find difficulty in agreeing to a system of nomination, as the direct election of members by the people is basic to its constitutional and political role.

... A Cook islands member would, presumably, receive the same salary and allowances as other Members of Parliament. These emoluments

might well be higher than those which the Cook Islands felt able to grant its own Ministers ...”

The report then turned its back on the possibility of parliamentary representation by proposing an alternative:<sup>23</sup>

“It seems to us that many of the advantages of such representation might be gained by other, and less controversial, means. Parliament might be asked to establish a Select Committee on Cook Islands Affairs that would meet each year with representatives of the Government of the Cook Islands. ... We believe that a possible solution along these lines merits your most serious consideration.”

The important point to emerge from the foregoing is one of principle. For a community moving into the status of “self government in free association”, it was important to strike the right constitutional balance, and in particular not to be restricted solely to government-to-government contacts at executive level. Direct access to the New Zealand legislature was one of the central planks of the 1963 advisers' report, and it is clear that they saw no overriding objection in principle to having members elected or appointed to the New Zealand Parliament from the Cook Islands (in other words, it would have been possible to “throw a line” over the “southern” boundary of the self government quadrant in Figure 1, even if more formal federal status were not accorded). The objection to such an arrangement lay in its “controversial” nature in the New Zealand political scene.

Similar points emerge when we turn to the case of Niue, which moved to self government in free association a decade later than the Cook Islands, but after a similar process of consultation and advice. In 1970 Professor Quentin Baxter was asked to advise the Niue Assembly on constitutional options. His report makes it clear that there was no reason in principle why a substantial degree of local autonomy for Niue could not have been made compatible with a form of political integration with New Zealand. He makes clear also that New Zealand had effectively ruled out integration as an option:<sup>24</sup>

“In 1962, when the late Sir Leon Gotz, then Minister of Island Territories, consulted the Niue Assembly about constitutional development, it was taken for granted by the Minister and the Assembly that integration could only mean the disappearance of Niue as a separate unit of government. This was so obviously not acceptable that the question of integration was not pursued ...

What, then, is the distinction between integration and self government? ... To bring to an end Niue's dependent status, one of two things must happen: either the inhabitants of Niue must become enfranchised as New Zealand voters, or the New Zealand Parliament must assign to the Niue Island Assembly all powers to make laws for Niue. The first alternative is integration; the second alternative is self government.

As self government was the objective chosen\* in 1962, the New Zealand Government did not have to consider the alternative of integration ... Integration need not, however, be incompatible with Niue's need to keep its own political institutions. At the present stage of constitutional development, the New Zealand Parliament has unlimited

legal power to make laws for Niue; but in practice it deals only with a small range of Niuean matters and then only with full regard to the wishes of the Government and people of Niue. There is in principle no reason why such an arrangement should not continue on some mutually acceptable basis after Niue has ceased to be a dependent territory ...”

- \* It should be pointed out that the choice referred to was New Zealand's, not Niue's, although Gotz managed to persuade the Niue Assembly, like that of the Cook Islands, to acquiesce in his proposed strategy. Cf. Chapman, T., The Decolonisation of Niue, (VUW 1976), P. 12.

Political leaders interviewed in the Cook Islands, Niue and Tokelau during April-May 1984 made it clear that New Zealand's unwillingness to entertain political integration on realistic terms was well understood, and to some extent sympathised with, in the Islands. To a question about the possibility of formally making Tokelau part of the New Zealand political system, the elders of Nukunonu responded<sup>25</sup> (as relayed by our interpreter):

“Before any change in politics came to Tokelau, Nukunonu always thought that Tokelau was part of New Zealand. The present situation is confused ... If they decide to put into an agreement with New Zealand that Tokelau becomes part of New Zealand, what difficulties could arise in the future? It is a difficult question to answer ... If they say no, New Zealand may start to forget about Tokelau. If they say yes, the name 'Tokelau' may disappear.”

To a follow up question on the possibility of extending New Zealand voting rights to Tokelau, Nukunonu responded that Tokelauans could not meaningfully vote on New Zealand issues and personalities, and that if Tokelauans voted in New Zealand elections “the question is: would there still be a need for Tokelau to have its own authority in their own affairs and be treated as a separate country”? Atafu in general supported Nukunonu's line; Fakaofo took a more radical stance in favour of voting rights.

In Niue, political leaders made it clear<sup>26</sup> that integration as an option had never been presented or discussed in any depth. This reflected partly the fact that a closer relationship would have been possible only with New Zealand acquiescence, which was known to be not forthcoming; and partly the fact that, as one senior Niuean expressed it, “all that the people wanted to say in the 1960s was that they did not want independence; they weren't asking for anything”. So long as citizenship was preserved, Niueans were prepared to acquiesce in New Zealand's plans in 1970-1974, but there was “never anything like a two thirds majority for self government”<sup>27</sup>. Another leading politician confirmed that the real choice in the early 1970s was between independence and self government; the self government constitution was welcomed more as a safeguard against the threat of full independence, than as a positive step towards an actual desired goal. Another leading figure agreed that “self government was the only choice we could see at the time”, that integration as an option “was not discussed in any depth at all”, and that an arrangement something like the Chatham Islands (taking due account of special circumstances of size and distance) might well have been acceptable if offered. Another Assembly member suggested that Niue might have become “a borough of Auckland”; and yet another spoke of a possible “Swiss solution” in which Niue would be an autonomous canton in a federal arrangement with New Zealand.

In the Cook Islands, New Zealand's position had been adopted by Albert Henry at the outset of the 1964 emergence of the Cook Islands Party. At a large public meeting in the Victory Theatre on Rarotonga on July 6, 1964, Henry dealt as follows with the pros and cons of integration:<sup>28</sup>

“The advantages included award wages, child benefits and old age pensions, and New Zealand electoral residential qualifications, but he pointed out that the first three would come but slowly, quoting Mr Hanan as indicating at least ten to fifteen years. On the other hand, as part of New Zealand, the Territory would be entitled to no more than one representative in the New Zealand Parliament and might even be merged with another electorate. But even with a separate member, one in a Parliament of eighty would mean that they would be back where they were before - “voiceless”. They would have to pay New Zealand taxes, especially income tax, whereas most of them paid only small indirect taxes in the Cooks and were unable to cope with more. New Zealand laws would be introduced into the Territory and they would soon start selling their lands. He concluded that with integration “the good things will come, slowly but the bad things will come quickly”.

The integration option had its proponents in 1964, but they lacked the charisma and organisational strength of Henry's CIP. The Ingram family's Cook Islands Unity Party, for example, was formed to promote integration but seems never to have done its homework on the structure of New Zealand local government and the modifications that would have been required for the Cook Islands.<sup>29</sup> Other strong statements in favour of integration came from the minority group in the Assembly elected in the 1965 general election. (This election, incidentally, was subsequently and quite incorrectly, claimed by New Zealand to have been a “referendum” on the self government constitution)<sup>30</sup>. During the debate on the new constitution in May 1965 an amendment was tabled to defer consideration until alternatives to self government had been “properly investigated and explained, and the wishes of the people determined by a referendum”, and speeches made during the debate on this motion<sup>31</sup> revealed strong support for integration from some of the outer islands, especially in the Northern Group. (Tangaroa Tangaroa, for example, the member for Penrhyn, spoke of joining the Tokelaus in continued administration by New Zealand, and eventually voted against the Constitution).

Among the Cook Islands community in New Zealand, also, there was considerable pro-integration feeling in 1964, which resulted in the submission (and rejection by the New Zealand Government) of a series of petitions<sup>32</sup>. In the Cook Islands as in Niue, however, it seems clear in retrospect that the acceptance of self government on the basis proposed by New Zealand was a conservative response: given that New Zealand had declared the “colonial” status quo to be untenable, self government in free association seemed the closest available option to that status quo. As has already been argued in this chapter, such a judgement rested, perhaps crucially, on the extremist caricature of integration which was presented by New Zealand officials.

The Cook Islands political elite of 1984, insofar as we were able to explore their views during a brief visit to Rarotonga and Aitutaki, remain open to discussion of integration as a political option, but are (not unexpectedly) hard nosed in their approach. One of the top priorities for any Government in the Cook Islands is to secure an increased level of external funding, and after a decade of static or falling New Zealand Government grants

(accompanied by numerous policy statements favouring the phasing out of New Zealand's budgetary assistance) most hopes are pinned on other donors in the international arena. Albert Henry's judgement in 1964 (quoted above) that the material benefits of integration were uncertain and might be slow in coming, whereas the disadvantages of integrating on the terms then offered by New Zealand were obvious, still appears appropriate in 1984; but were the balance of costs and benefits to change in the eyes of Cook Islanders, there would be no overwhelming political obstacle to a move back towards New Zealand. At present, however, the Cook Islands elite is exploring on a bipartisan basis (Cook Islands Party and Dr Davis' Democrats) the limits of what one prominent Democrat describes as "independence in free association"<sup>33</sup>. Many political leaders, especially those of the 1960s generation, express the belief that the Cook Islands must "stand on their own feet" and move progressively away from financial dependence on New Zealand - echoing, again, the line taken by Albert Henry in 1964 (but without Henry's subsequent image of the relationship with New Zealand as a marriage rather than a parent-child situation<sup>34</sup>; the parent-child image remains strong in Cook Islands minds, and underpins the pursuit by local politicians of what is presented as greater independence). It is still safe to say, however, that full independence (with abandonment of New Zealand citizenship) remains politically unacceptable in the Cook Islands, so that a unilateral abandonment of the special relationship is unlikely.

### 3.5 Why Not Independence?

This question is easier to answer than the integration one. Full independence\* for the New Zealand territories was and is politically unsaleable in Niue, Tokelau and the Cook Islands; no credible "act of self determination" leading to sovereign independence as generally understood could have been staged in those territories, whatever New Zealand wanted. In 1962, when New Zealand canvassed the various United Nations options (plus some Pacific federation schemes of its own) in the territories, the feeling against full independence was virtually unanimous.<sup>35</sup> In both the Cook Islands and Niue, unanimous resolutions passed the assemblies; in Tokelau the village councils never contemplated independence as a serious possibility (though some covert discussions were held with American Samoa as to the possibility of switching patrons; these came to nothing). United Nations Missions to the Cook Islands in 1965, to Niue in 1972, and to Tokelau in 1976, were unequivocally informed that full independence was unacceptable to the peoples of the territories. Professor Quentin Baxter's report to the Niue Assembly in 1971 emphasized that<sup>36</sup>

"In the minds of the ... adult inhabitants of Niue, there are three issues of overriding importance. They wish to retain their New Zealand citizenship; for this signifies a guaranteed right of access to New Zealand ... They also want absolute assurance that New Zealand will keep up its financial and administrative aid to the island; for that alone makes possible an acceptable standard of living.

"Yet the people of Niue are equally concerned to keep their own identity, their own patterns of living, and substantial control over their own affairs ... Every question of constitutional development in Niue concerns the interplay of these three factors."

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\* That is, separate statehood, citizenship, and national "personality".



Under the circumstances, where the desire of the Island peoples to share in New Zealand's international personality, and the benefits deriving from it, remains strong, the full independence option has had as little attraction as the extreme integration one.

As with integration, however, "independence" encompasses a range of possible states, which at some point (Figure 1) shade over into the non independent status of "self government in free association". The version of "independence" which islanders unanimously rejected was one in which New Zealand citizenship and shared "personality" would be lost, and financial support from New Zealand would be available only on the same basis as applied to international "aid" in general. On the other hand, it is only to be expected that over time some of the ruling political elites in the Islands should wish to exercise as much real autonomy as they felt to be consistent with the maintenance of the special relationship with New Zealand. This raises immediately an awkward issue of political dynamics. Self governing countries "in free association" can maintain that status only by voluntarily remaining within the implicitly understood limits of New Zealand tolerance. In Tokelau and Niue this has to date posed no great problem; in neither case has the elite or the population at large wished to push their luck in the international arena. In the Cook Islands, however, brinksmanship has been a persistent characteristic, in periods of both Cook Island Party and Democratic Party rule. As Chapman has remarked<sup>37</sup>

"Inherent in a relationship of this kind are areas of high sensitivity where the slightest suggestion of misunderstanding could lead to an undesirable decline in the respect and confidence each party ought to have for each other. Although self government in free association for Niue will vary in some slight detail from that of the Cook Islands, the delicate nature of inter governmental relationships will be equally demanding ... (T)he Cook Islands experience has exposed one important area ... where misunderstanding could easily lead to a breakdown."

The area identified by Chapman was financial management, and the problem was the contradiction between the Cook Islands Government's nominal freedom of action to determine its own expenditure policies on the one hand, and the reality that a large part of that Government's finances were provided by New Zealand, on the other. Under these circumstances, independence can never be total: constitutional freedom of action does not translate automatically into real freedom. Since Chapman wrote, another area of potential friction has emerged, involving the freedom of the Cook Islands Government to enter into international agreements on its own behalf. As in the field of public finance, the limits of the special relationship with New Zealand are set not by any explicit rule, but by the de facto limits of New Zealand Government tolerance, and those limits may shift as the New Zealand political winds change.

Under these circumstances, a great deal hangs upon New Zealand as the dominant partner in the relationship, to give signals which will not be open to misinterpretation as to where the limits of free association may lie. One major difficulty which Island elites have faced during the past two decades is the reluctance of New Zealand to set any such apparent limits in advance, so that the real limits become known only ex post, as the result of experimental testing of the limits of tolerance. The key feature of New Zealand policy during the decolonisation period has been an almost obsessive fear of being seen to do anything that might be construed internationally as constraining the freedom of the Island

territories to opt for full independence at any time they might choose. As the then Minister, Leon Gotz, put it in a speech in Rarotonga in 1963<sup>38</sup>,

“We have opened the door to Independence ... It is for you to walk through it as slowly or as quickly as you please.”

The difficulty has been that, as one of the prominent New Zealand critics of the decolonisation strategy argued in 1965<sup>39</sup>,

“It is ... demonstrable by reference to Commonwealth experience that self government leads to independence; this is the road upon which New Zealand has chosen to set the Cook Islanders.”

The stages through which New Zealand coaxed local institutions in both the Cook Islands and Niue were indeed the familiar British colonial stages of representative and then responsible government; the usual destination of this progression was independence, and the institutions installed at each stage were designed to form the infrastructure for operating as a fully independent nation state. The natural dynamics of the sequence of changes introduced by New Zealand in its dependent territories were therefore always liable to carry those territories beyond the domain of “free association”. What is especially significant in the constitutions of both the Cook Islands and Niue is the absence of any provisions recognising the constitutional advisers' suggestions that formal relationships with the New Zealand legislature should be retained in the self government period, precisely for the purpose of ensuring that misunderstandings did not arise as to the limits of New Zealand's political tolerance.

New Zealand's policy on the issue of independence for the Island territories has always given an impression of ambivalence. This ambivalence arose partly from the differing perceptions and interests of different Departments of the New Zealand Government (particularly the former Departments of Island Territories and External Affairs), and partly from the inherent contradiction between the strong United Nations pressure for full independence of colonies, and New Zealand officials' recognition that in the territories themselves such an outcome was unacceptable. In presenting the concept of “self government in free association” to Island audiences, therefore, New Zealand officials tended (and tend) to emphasise the aspect of continuing links with New Zealand; but in presenting the idea to international audiences, the tendency has been rather to stress the closeness of self government to full independence.<sup>40</sup>

Most importantly, the underlying ambivalence of New Zealand policy has been manifest in the ways the political wind has changed on the independence issue over time; the result of these changes of emphasis has been unsettling for the Island peoples and elites. In the 1960s, when the Department of the Island Territories still had strong influence on policy and the Department of External Affairs was anxious above all to see “constitutional progress”, and willing to defend “self government in free association” as something clearly distinct from sovereign independence, the Islands were given strong assurances that New Zealand was not contemplating “putting them away”, and that the arrival of self government would not in any way undermine the existing relationships between New Zealand and the Islands. These assurances were particularly important in the long process of coaxing Niue into an “act of self determination” in the early 1970s, and the Niueans (assisted by their advisers) went to considerable lengths in the negotiations over their new

Constitution to ensure that the links with New Zealand were protected as strongly as possible.

No sooner, however, had Niue finally embarked upon the move to self government (1970-1972) than the New Zealand position shifted markedly towards treating self governing states in free association as though they were independent. In 1970, the New Zealand official position had been that<sup>41</sup>

“The New Zealand Government ... has no intention of forcing upon the People of its island territories a pace of political development which runs counter to their freely expressed wishes.”

The incoming Labour Government of 1973, however, brought a determination, as Prime Minister Kirk put it, “to find and hold to a firm moral basis for its foreign policy”<sup>42</sup>, and his 1973 Exchange of Letters with Albert Henry was explicitly presented by New Zealand as moving the Cook Islands away from the status of having a special relationship with New Zealand, and towards being treated the same as any fully independent state<sup>43</sup>:

“New Zealand will deal with the Cook Islands Government in the same way as with other South Pacific countries ... It is envisaged that in the course of the next two or three years responsibility for the conduct of New Zealand's relations with the Cooks will be transferred to the Ministry of Foreign Affairs.”

The following year, the report of the Ministry of Foreign Affairs spelt out even more clearly the New Zealand expectation that the Cooks would move out from under the New Zealand umbrella in foreign policy matters, and begin to acquire a distinct international “personality” of its own<sup>44</sup>:

“... the May exchange of letters ... made it clear that self government in free association with New Zealand should not be interpreted as restricting the Cook Islands' powers of self government, including the right of the Cook Islands to ... pursue its own policies and interests in the field of external relations.”

In June 1974 Sir Albert Henry attended the Law of the Sea Conference in Caracas, and was again present at the Geneva Law of the Sea Conference in March 1975; on both occasions his participation in his own right as head of the Government of a small island state was encouraged and facilitated by New Zealand.

This shift in policy arose from the combination of Albert Henry's desire for more freedom of action in the wake of his 1971 confrontation with Wellington over government finance, and the change in outlook on the decolonisation question following the election of a Labour Government in New Zealand. It could, thus, be said that the initiative for the change came from the Cook Islands Government, and that New Zealand was responding to the expressed wishes of that Government. In October 1971 Albert Henry had written to the New Zealand Minister of Island Affairs asking that the two functions of the New Zealand High Commissioner - as “head of state” and as representative of the New Zealand Government - should be separated; the point of this separation was to have a New Zealand representative whose functions resembled those of a diplomatic representative rather than of a colonial governor.

It appears also to have been Henry, in discussions with Prime Minister Kirk in May 1973, who suggested that the Ministry of Foreign Affairs should become the direct channel of communication between the two governments. The obvious advantage from Henry's point of view was that the Minister of Foreign Affairs was a senior figure in the New Zealand Government whereas the Minister of Island Affairs was a junior figure. Henry evidently contemplated a move to full independence; in November 1973 he spoke with Prime Minister Kirk of "breaking down the last vestiges of colonialism", and again received a sympathetic response from the New Zealand end; Kirk proposed that the Cook Islands proceed to full independence. However, domestic political realities in the Cook Islands put paid to any further moves in that direction; independence was a guaranteed loser in electoral terms.<sup>45</sup>

Premier Henry's suggestion that Cook Islands affairs be handled by Foreign Affairs rather than Island Affairs, however, was very much in tune with the trend in interdepartmental politicking in Wellington, and with the thinking of Government politicians. On the basis of the 1973-74 discussions with the Cook Islands Government the New Zealand Government proceeded with its plans for abolition of the Department of Island Affairs, without (so far as we are aware) consulting with the other two island territories affected by the move: Niue and Tokelau. In Wellington's eyes, what went for one associated territory went for all, despite the obvious differences among the three cases. The Ministry of Foreign Affairs annual report for 1974 recorded as follows a change which had revolutionary implications for the constitutional status of the communities affected:<sup>46</sup>

"In New Zealand a significant change was the assumption of full responsibility for New Zealand's dealings with the Cook Islands, Niue and the Tokelau by the Minister of Foreign Affairs. This changed New Zealand's dealings with the authorities in its former island territories from a basis of dependence to one of full inter governmental partnership. It is the natural culmination of the process of constitutional development which has taken place in recent years."

The new policy stance thus announced suffered from a number of serious defects. In the first place, it amounted to a unilateral abrogation of the repeated assurances given by New Zealand spokesmen during the preceding fifteen years, that the relationship between New Zealand and its former and actual Island territories was to remain special in clearly defined ways. The constitutional draftsmen had already, by 1974, provided both the Cook Islands and Niue with political systems which lacked any formal channels of communication between the Island authorities and the New Zealand legislature, so that the relationship with New Zealand was mediated entirely through the Departments of the New Zealand Government's executive arm (see preceding section). The New Zealand Government was now abolishing the one Department of State which had had a specific and exclusive focus upon that relationship. In the process New Zealand was putting an end to an era of flexibility in the definition of "Island Affairs" which had enabled the old Department (virtually combined with Maori Affairs in the early 1970s) to deal simultaneously, and in a coordinated fashion, with communities of Islanders resident both in the Islands and in New Zealand. Under the new dispensation, the New Zealand Government ceased to have any institutional channel through which it could deal directly with the locally resident migrant community as such; "Island affairs" were narrowed down to a purely offshore focus on the Islands themselves as geographic units. Much of what had been understood to be "special" about the "special relationship" was thereby thrown overboard, at precisely the time when

relations within New Zealand between the Pacific Islanders and other groups were running into difficulties. (The toothless Pacific Affairs Coordinating Committee set up in 1976 after the “overstayers affair” was a poor substitute for a Department charged with handling Pacific Island problems on their own).

In the second place, the new policy was incoherent in its claim to have shifted New Zealand's relations with the Islands “from a basis of dependence to one of full inter governmental partnership”. For the previous decade New Zealand had been claiming that “self government in free association” represented just such a shift<sup>47</sup>, and the Niueans in particular had been persuaded to adopt that system on the basis of an assurance that it would not involve them in being treated as an independent nation by New Zealand. It was by no means clear, therefore, what was meant by “a basis of dependence”. If the phrase was interpreted to mean that the Department of Island Territories had been acting in ways which rendered the Islands more “dependent” than was desirable, then this in itself gave no warrant for the total abolition of the Department. If, on the other hand, the phrase is interpreted to signify that the previous constitutional situation had been one of undesirable “dependence”, then the new policy must be open to the interpretation that New Zealand was abandoning its earlier assurances that the pace and direction of political/constitutional change would not be forced against the Island peoples' wishes. The Island peoples, after all, had been explicit on their desire for close ties with New Zealand to be retained; and in the case of Tokelau those wishes had extended also to rejection of all proposals for Tokelau to change its political status to one where “full inter governmental partnership” applied. The Ministry of Foreign Affairs, in fact, was being given the task of administering three quite separate and distinct “special relationships” none of which, for various reasons, could satisfactorily be reduced to “inter governmental partnership” of the sort familiar in normal foreign relations dealings among sovereign states.

In the third place, the statement that the new order was “the natural culmination of the process of constitutional development” provided retrospective justification for those who (like Northey in 1965) had claimed that the logic of New Zealand's constitutional plans led to independence, and that assurances to the contrary were hollow. There was a fundamental difference between saying (as Gotz had done in 1962) that “the door to Independence was open”, and treating the Islands as though they had already chosen to walk through that door. The fine balance of nuance and mutual trust on which the concept of “free association” had been erected was now threatened. This was most immediately obvious in the case of Niue.

As already noted, the Niuean people had taken ten years to come around to New Zealand's desire for a change in their formal constitutional status to ratify the increased level of local autonomy which had been steadily introduced on a de facto basis during the 1960s. Throughout their constitutional discussions of 1970-74, all segments of Niuean society had expressed alarm at the possibility that once they made the move to self- government, New Zealand might then cut them off to fend for themselves. Of the statements made then and since by Niueans about their wishes, the most forceful and consistent was that they did not wish to be fully independent. In the event, Niue's move to self government in October 1974 was followed within a couple of weeks by the abolition of the Island Affairs portfolio and the transfer of New Zealand's relations with the new Niuean Government to the Ministry of Foreign Affairs. In a telegram to Robert Rex, the Niuean Premier, New Zealand Prime Minister Rowling explained the change as follows<sup>48</sup>:

“The reason for the change is that it is appropriate for New Zealand's relations with independent and self governing states to be conducted by one minister. Niue's change to self government made this change particularly timely.”

Both the act and the explanation could most charitably be described as clumsy and insensitive. Niueans not unnaturally felt betrayed, and distrust of New Zealand's future intentions probably speeded the flow of out migration from Niue in 1974-76. Foreign Affairs officials encountered this distrust; one described after a visit in November 1974<sup>49</sup>

“the diplomatic reticence which must perforce be shown in any discussions in Niue - the present stage is one of reassurance and we have to allow for the apprehension felt in many quarters over the Foreign Affairs machinery.”

The New Zealand Representative equally encountered a strong reaction by Niueans to what they saw as New Zealand pressure towards their eventual independence (compounded by the evident misunderstanding by many Foreign Affairs staff of the nuances of the special relationship). He reported<sup>50</sup>:

“Generally members of the Cabinet and senior public servants are apprehensive and consider that the Ministry is more attuned to the New York scene rather than the needs and attitudes of a small Pacific Island. A Minister who visited Wellington recently was alarmed at the number of times the word 'independence' was used during discussions with Ministry staff. He said he felt that the officers of the Ministry were 'too pushy'.”

The administrative change from Island Affairs to Foreign Affairs brought other changes which reinforced the shift of constitutional emphasis described above. Most importantly, the basis on which New Zealand continued to provide budgetary assistance to the Island administrations was switched from the category of “subsidies” to the category of “development aid”. This change was fundamental from the point of view of the “special relationship”; but the Ministry of Foreign Affairs seemed impervious to the implications, or else saw the change as an entirely positive step forward.

Subsidies, of course, are by their nature an intra-national transfer. A particular sector, or region, of the nation has its income supplemented by transfers of purchasing power from other, surplus producing, sectors or regions, in what are regarded as the greater interests of society at large. By their nature, subsidies are aimed to bring into existence, or keep in being, activities which would otherwise be unsustainable in the prevailing climate of economic and social forces; they therefore can be expected to be permanent so long as the subsidised activity or group continues to command support. Subsidies are thus essentially static.

“Development aid”, on the contrary, is characteristically an international transfer of resources, and in theory is supposed to be a transitory boost to a dynamic process of expansion which in principle should become self sustaining. The switch in nomenclature for New Zealand's budgetary support therefore had far more than merely semantic significance. Subsidies may legitimately be consumption oriented; development aid is expected to be investment focussed. Subsidies may legitimately be designed on the

assumption of permanence; development aid is usually thought of as temporary and self limiting. Subsidies are aimed to maintain or sustain a particular level of activity; development aid is supposed to trigger dynamic changes in the level of activity over time. It is, therefore, not surprising that the application of “aid criteria” to a financial system designed originally to subsidise real standards of living in the Islands should produce results which were subversive of the original social contract of the decolonisation era. In ceasing to think of budgetary assistance in terms of subsidy, and instead thinking of it as development aid, New Zealand officials and politicians deprived themselves of key analytical tools for policy formation; at the same time they imposed upon Island elites a set of intrinsically unrealisable goals, and hence the long run burden of what would be perceived as “economic failure”. (See Chapter 5).

It is, of course, important not to overstate the extent of the change in economic policy. Expert advisers since Belshaw and Stace in 1955 had been pushing the notion that economic self reliance was a desirable goal for the island territories, and that investment assistance could usefully be devoted to promoting an expansion of productive activity. There had always been lip service paid (though seldom with much conviction) to the hope that one day Island governments might become self supporting through the taxation of increased productive incomes generated in the Islands. At the level of policy design in the Islands, thus, the 1975 change was one of emphasis rather than of fundamental principle: “development” as conceived of in Wellington had moved up the pecking order, and “welfare” had moved down a bit. Since the bureaucratic machinery constructed by New Zealand in all its territories was designed and trained for the delivery of welfare, and poorly equipped for the pursuit of commercial development, the shift in priorities amounted to downgrading the activities in which local government was most likely to deliver, and upgrading those in which it was most likely to “fail”. But this was a relative, not an absolute, change of course.

In Wellington, however, the re orientation of 1975 was the culmination of a process by which New Zealand abdicated fiscal responsibility in its former territories, again in the name of “authentic local autonomy”. Belshaw and Stace and Aikman had agreed that so long as Cook Islands budgets were financed substantially by New Zealand, the obvious ability of the piper's paymaster to call the tune should be formalised in some procedure for monitoring and consultation in fiscal matters. Self government certainly involved Island authorities in setting priorities for expenditure and for operating the administration machinery, but it was not originally envisaged that New Zealand would entirely wash its hands of financial management. In the event, however, the new Governments in Niue and the Cook Islands (and eventually, it is still envisaged, Tokelau) were turned loose to run their own financial ship, with New Zealand intervening only at the aggregate level via its ability to impose cash limits on expenditure (a power which became especially effective in pinching real expenditure once inflation began to run in double digits in the late 1970s).

The difficulty which naturally arose was that major decisions on the allocation of a substantial slice of the total resources available to Island societies were passed across to local elites whose criteria, inevitably, were not always those of New Zealand. In small societies with strong clan and community loyalties, and with Governments committed to uneconomic “development” programmes to suit the whims of aid donors, it was natural that the “financial personality” of the Islands should begin to diverge from New Zealand's image of its own “personality”. In the absence of formal mechanisms linking the legislatures of the Islands to that of New Zealand, intervention in Island governments' financial policies became a government to government matter, which in turn made it easy

for Island elites to perceive (and portray) it as neocolonial coercion. The pretence that the money was “development aid” served merely to confuse the issue.

This brings us, after a long excursion, to a second answer to the question, why not independence? The first answer, it will be recalled, was that there existed no major interest group in the Islands willing to press for full independence (although the Cook Islands elite has been willing to experiment at the boundary with the idea of “independence in free association”). The second answer is that New Zealand, for all the ostentatious “hands off” approach, has not been willing to allow Island elites to cash in without limit their collection of apparently blank cheques. The underlying reality is that the “special relationship” rests upon three elements which the Islands communities remain unwilling to lose: New Zealand citizenship, New Zealand financial support, and membership of the New Zealand currency area (i.e. free transferability of funds between New Zealand and the Islands). New Zealand threats to withdraw any or all of these remain credible and effective as deterrents to unfettered independence of action by the Island ministates.

What this amounts to is that New Zealand can afford to hold the door to independence ostentatiously open, and indeed can provide verbal encouragement to Island elites to step through, without any fear of losing effective control, since all the forces of the social and economic “base” are operating to pull the territories closer to New Zealand, and the local political leadership cannot go far in subverting those links in the absence of an alternative powerful patron willing to face down New Zealand. (It is sometimes suggested, for example, that the fall of Albert Henry's government in 1978 was precipitated by popular fear that exasperated New Zealand politicians might actually abolish the special relationship).

### 3.6 The Concept of Free Association

It has already been suggested in this chapter that the notion of “self government in free association” is inherently ambiguous, and that it is the ambiguity which renders the system workable (since partners in such an association can muddle through indefinitely so long as neither has an overriding interest in ending the relationship). It is nevertheless important to have some general rules of thumb laid down and clearly understood by all participants, if misunderstandings and irreconcilable conflicts are to be avoided in the long run. There has to date been a tendency towards self congratulation in New Zealand official circles on the Constitutions provided for the Cook Islands and Niue, it being felt that in general, experience to date confirms those documents as workable and in accordance with principles of international law. The theme of this section is that matters are not so simple.

The substance of both Constitutions is reasonably straight forward. A Westminster system of national government, with elected legislature, Cabinet style executive with a public service modelled on New Zealand, and independent judiciary, is set up, and full powers to make laws are given, without reservation, to the legislature. The Head of State in each case is declared to be “the Queen in right of New Zealand”, and in Niue's case the Governor General of New Zealand “is accordingly the representative of Her Majesty the Queen in Niue” (Niue Constitution Act 1974 Second Schedule Section 1). In the Cook Islands this formula, with its clear cut embodiment of the principle of continuing association with New Zealand, was not adopted; instead the original 1965 Constitution provided for a High Commissioner to perform simultaneously as Queen's Representative and New Zealand Representative – a schizophrenic recipe for conflict of interest<sup>51</sup> which was eventually (in 1982) replaced by the equally problematic device of having the Queen appoint a separate



Representative in the Cook Islands (the meaning of the term “the Queen in right of New Zealand” thus being rendered rather unclear)<sup>52</sup>.

Both Constitutions, as originally drafted, retained certain legal ties between the self governing territories and New Zealand in matters such as appeals from local to New Zealand courts, continuing control of the Niue public service by the New Zealand State Services Commission, auditing of the Government accounts by the New Zealand Auditor General, and the retention of New Zealand citizenship under the 1948 British Nationality and New Zealand Citizenship Act. With the exception of the last, these provisions amounted merely to relying upon New Zealand to provide a backstop to the new political/administrative system, and carried no implication of control over policy as such. However, in practice it is difficult to see how New Zealand agencies could properly provide such a backstop without intervening in what are effectively policy matters.

An example arises in the case of financial management systems in Niue. Since the move to self government in the mid 1970s, the annual reports of the New Zealand Auditor General have sounded a steady note of alarm at the lack of controls on both revenues and expenditure, the failure to follow up apparent cases of misappropriation of public moneys, and the growing resort of the Niue Government to creative devices (such as draining funds out of special “development” accounts<sup>53</sup>, or delaying the remittance to New Zealand of funds held by the Niue Post Office<sup>54</sup>) to avoid being crippled by cash flow problems. The New Zealand Government, despite some grumbling, has to date always been ready to step in at the end of each financial year to make up the cash deficit, as (on the face of it) it is bound to do by Section 7 of the Niue Constitution Act 1974 which provides:

“7. Economic and administrative assistance It shall be a continuing responsibility of the Government of New Zealand to provide necessary economic and administrative assistance to Niue.”

Section 8 of the same Act provides for consultation between the Prime Minister of New Zealand and the Premier of Niue in order to promote “positive cooperation”, but clearly lays down that

“... if it appears desirable that any provision be made in the law of Niue to carry out these policies, that provision may be made in the manner prescribed in the Constitution, but not otherwise.”

New Zealand's ability to oblige the Government of Niue to take heed of the Auditor's Reports is therefore limited, since the buck has been entirely passed to the Niue Assembly to hold its Government to account. On the other hand New Zealand, as the dominant source of revenue for the Niue Government, is not unnaturally anxious to see a high standard of financial management. The difficulty is that, since the issue was not confronted and dealt with at the time of decolonisation, resort must now be had to mechanisms which, while partially effective in the long run, are not conducive to harmony. At the most public level, the New Zealand Government can and does maintain a steady (almost hectoring) flow of criticism at the Niue Government over financial matters. Such criticism, however, being seen by both sides as lacking any muscle to back it up, is easily deflected or ignored. At a more discreet level, the New Zealand Government can and does resist requests for an increase in the level of assistance - which during the inflation of 1977-82 permitted a steady squeeze on the real value of that assistance - but any overt move to reduce assistance would require the New Zealand Government to grasp the nettle and argue that the existing

level of subsidy is not “necessary” in terms of Section 7 of the Niue Constitution Act. (Such an argument would probably be politically unwinnable).

This leaves, in effect, only administrative mechanisms of control. Since the New Zealand State Services Commission (through the Niue Public Service Commission) controls appointments to the Niue public service, it is in a position to install selected individuals with the task of straightening up the management of government finance. The Commission, after considerable delay, and under strong pressure from within the New Zealand Government, has now appointed senior staff to the Niue Treasury with the task of establishing effective financial controls. These personnel, however, operate from the outset with one hand tied behind their backs, since Government Departments are bound to implement the policies of the Government of Niue. Financial controls which really bite, therefore, are as likely to precipitate confrontation between the New Zealand and Niuean Governments over the level of subsidy and the policies pursued by the Niuean Government, as they are to solve the perceived problems.

In any such confrontation, the New Zealand Government would of course be at liberty to threaten ending or amending of the special relationship. Again, however, the political difficulties would be substantial, since the move to self government in Niue was accomplished only by the giving of very explicit and morally binding assurances that aid would not be terminated.

The situation highlights the difficulties posed by the absence of any formal channel of communication between New Zealand and Niue other than at the government to government level. As in the Cook Islands, no provision was made at the time of decolonisation for any formal relationship between the Niuean and New Zealand legislatures; as a result, New Zealand taxpayers/voters have no means of holding the Niuean legislature to account for any failure on its part properly to oversee the Niue Government's spending of grant moneys. This is, of course, the standard position with international “development aid”: its expenditure by recipients is subject to few, if any, effective checks and balances. It is not clear, however, that the waste and corruption which are routine characteristics of the international aid industry can be allowed to be reproduced in a freely associated territory without poisoning the basis of the special relationship. New Zealand's problem with Niue appears to be that in the haste to decolonise the territory, its inhabitants were in fact given a set of blank cheques; and the incentives to use them with discretion are of uncertain effectiveness. Sovereign independent states have a clear right to use and misuse funds subject only to the limits of their domestic political systems. Self governing states in free association arguably do not (or should not) have that right unless and until all their revenue is raised from their own “nationals”. In the design of its special relationships with its former territories, however, the New Zealand Government has to date failed to develop any satisfactory formula or mechanism for setting the limits to the territories' financial autonomy. It is particularly surprising that the issue was not more clearly perceived and taken account of in the case of Niue, since during 1970-1971 there had occurred a major confrontation between the Governments of New Zealand and the Cook Islands over the cash needs of the Henry regime. As Chapman points out in discussing this incident, it is unrealistic to transfer to local elites apparently complete autonomy to run their affairs and “develop” their countries, and then to expect to be able to dictate financial policy at a distance and by informal means<sup>55</sup>:

“Government leadership in newly emerged states is endowed with the power to make things happen, a power most of them have never before

experienced. A situation of this nature often leads to an over concentration, by the executive leadership, on achieving visible results without an objective regard for available resources ... The object lesson to be learnt is that executive politicians, in situations such as the Cook Islands and Niue, have to acquire and maintain the responsibility for restricting their aspirations within the limits of resources immediately at their disposal.”

Chapman does not go on to explore the consequences if this “lesson” is not “learnt”. From the point of view of the wider experience of “newly emerged states”, however, it is obvious enough that the normal tendency for government of resource poor states has been to embark on substantial programmes of overseas borrowing when domestically available revenue sources proved inadequate to support their expenditure policies. The striking characteristic of both the Cook Islands and Niue, in the context of “new states”, is that neither has yet acquired substantial overseas public debts (although in the past eighteen months the Cook Islands Government's borrowing programme has begun to gather momentum). These states, consequently, have not been embroiled in the debt crises which afflict much of the world “periphery”. New Zealand has in general encouraged the Cook Islands and Niue (particularly the former) to diversify their sources of financial assistance. As with the case of treaty negotiations (see below) this policy stance is arguably subversive of the “special relationship” as originally understood. The disadvantages of muddling through, pretending meantime that nothing has changed, is that Island political elites are no less likely than their counterparts elsewhere in the world to run up unmanageable levels of indebtedness in order to finance unproductive expenditures at home (including so called “development projects”). If at that stage New Zealand remains ready to underwrite the servicing of the debts, then the special relationship may survive unscathed. If, however, New Zealand is not prepared to act as underwriter, then this needs to be clearly understood in advance.

To summarise the problem: New Zealand's social contract with its freely associated territories is profoundly ambiguous on the key question of those territories' entitlement to financial support. No Constitutional provision was made for the working out of mutually agreed levels of subsidy or standards of financial management. Resort was had, in public declarations at the time of decolonisation, to statements of non-operational principle such as that New Zealand guaranteed to continue to provide aid (without spelling out the ceiling, if any, and without laying down any terms to be met by the recipients); or that “development” was expected to lead to “self reliance” so that the problem would quietly wither away.

In the tension between these two last statements can be detected again the nature of the “balance” which New Zealand politicians and officials hoped to strike in Niue and the Cook Islands. The commitment to provide financial support could be left ill defined precisely because “development” was expected to yield enough local revenue to keep the financial burden on New Zealand within bounds. At the same time, since it was clearly understood that complete self-reliance was unlikely to be attainable even if “development” were to succeed, the continuing need for financial support would ensure the continuation of the special relationship.

In recent years, as the poor record of “development” has been assimilated in Wellington, there has been growing enthusiasm in New Zealand Government circles for some diversification of donors to the self governing territories; in the case of the Cook Islands in particular, New Zealand has given clear encouragement for Cook Island approaches to

multilateral and bilateral sources of finance apart from New Zealand. On New Zealand's side, the calculation appears to be that a rising level of aid from other sources would make possible some lessening of New Zealand's own financial commitment. By maintaining cash limits on its own aid to the Cook Islands, while helping the Cook Islands elite in their wooing of other donors, New Zealand obtains the best of both worlds in the short run.

In the longer run, however, the basic problem is not averted (unless, improbably, "development" suddenly leaps forward, enabling the Cook Islands to repay the loans now being raised). By relying on international financial markets to supplement New Zealand grants, the New Zealand and Cook Islands Governments are merely deferring the question of the limits and terms of New Zealand assistance. As growing debt servicing commitments eat up a growing proportion of the New Zealand grant, that question will eventually have to be faced.

This issue of the Cook Islands' pursuit of donors brings to the fore another important aspect of the concept of "free association", namely the control of external affairs. In both the Cook Islands and the Niue Constitutions, an identical provision appears:

"Nothing in this Act or in the Constitution shall affect the responsibilities of Her Majesty the Queen in right of New Zealand for the external affairs and defence of [the Cook Islands/Niue]."

At the time of drafting of the Cook Islands Constitution in 1964, it was apparently taken for granted<sup>56</sup> that external affairs would remain the province of the New Zealand Government - that is, New Zealand would act not merely as an agent of the Cook Islands in its external relations, but would have responsibility for formulating foreign and defence policy. The wording adopted, however, as cited above, did not clearly embody this principle. The Queen, in terms of the Cook Islands Constitution, was bound to act on the advice of her Cook Island Ministers, in foreign affairs as in other matters. It was thus up to the Cook Islands Government to determine whether any particular foreign affairs issue should be handled by New Zealand (after consultation between the two governments) or by the Cook Islands Government directly. The 1973 Exchange of Letters confirmed that the Cook Islands Government was fully empowered to act on its own account in foreign affairs; and New Zealand has since actively promoted an interpretation of the Cook Islands Constitution in this sense, with the proviso that preservation of the special relationship requires that the Cook Islands act in consultation with New Zealand. A recent Ministry of Foreign Affairs statement on the subject puts it as follows<sup>57</sup>:

"The evolution of the relationship has been in the direction of the exercise of greater authority by the Cook Islands Government over its own affairs. This objective is completely acceptable to New Zealand. One of the useful attributes of the New Zealand/ Cook Islands relationship is the flexibility that has allowed it to remain the close and special association we now enjoy while at the same time developing and progressing in new directions. Formally, New Zealand retains responsibility for the conduct of the external relations and defence of the Cook Islands, in consultation with the government of the day. Some countries and international organisations continue to regard the Cook Islands as less than sovereign and insist on communicating through the New Zealand Government. In practice, it is the Cook Islands which

makes the decisions, consultation takes place only when there is a possibility of a conflict of interests.”

Commentators have differed on the issue of whether New Zealand has any formal power over Cook Islands or Niue external affairs, under the Constitutions as they were worded. Recent authoritative interpretations, however, indicate that it does not. Quentin Baxter, for example, notes<sup>58</sup>

“Although some legislators apparently believed [in 1964] that [section 5 of the Cook Islands Constitution Act] did impose unspecified limitations on the authority of the Cook Islands a careful analysis indicates that it did not have that effect. In relation to Niue, ... section 6 was a reminder that the New Zealand Government would still have the constitutional authority to act for the realm as a whole, including Niue, in matters of foreign affairs and defence ... Its main objective is to give an assurance to the Government of Niue of New Zealand assistance in the fields mentioned ...

At the time when the concept of free association was first evolving, the expectation was that New Zealand and its associated States would constitute a single international personality which might sometimes need to be engaged in the interests and on behalf of an associated State. In this idea lies the real impact of section 6. On the other hand, the fact that New Zealand would still be able to act internationally for Niue was not seen as presenting any impediment to the development of Niue's own international personality. Niue is free to have dealings with other members of the international community to the full extent that they are willing to have dealings with Niue. Section 6 does not impose any constitutional limitation on the executive and legislative powers conferred on Niue by its own Constitution in the fields of external affairs and defence.”

Similarly, Aikman records that<sup>59</sup>

“So far as bilateral international obligations are concerned, the legal position is relatively straightforward. The CI Government has the legal competence to enter into relations with other states as international entities that recognise that competence. There is, however, the overriding obligation, flowing from the special relationship, to consult New Zealand in the first instance, and to have regard to her policies and interests. That is the price of maintenance of the special relationship.”

The view of the present Queen's Representative in the Cook Islands is the same: in terms of a literal reading of the Constitution, the Cook Islands has all the formal powers of a sovereign independent state<sup>60</sup>. There is thus nothing written into the Constitution which would serve to define the boundary between “free association” and “sovereign independence”.

The essence of the problem, therefore, is the extent to which the Cook Islands or Niue unilaterally exercise the powers which they possess in terms of their Constitutions; and the

extent to which New Zealand for its part exercises the powers which, while not provided for in the Constitutions, are fundamental to the extra Constitutional concept of the special relationship. There has been a tendency in recent years for New Zealand officials to hide behind the letter of the Constitutions, in the pretence that they have no power over the decisions of self governing states. This is self-evidently false so long as the special relationship continues to be accepted by the Cook Islands and Niue; but the absence of an explicit social contract setting out New Zealand's rights and powers appears to suit New Zealand Government interests quite well, and enables New Zealand politicians and officials to deny any accountability for developments in the Islands.

The truth of the matter is, however, that the New Zealand Government has at times stepped in to “draw the line” beyond which the Cook Islands would not be permitted to proceed with certain foreign policy initiatives. It is of interest, therefore, to consider where that line has been drawn.

### 1. Taiwan.

Probably the best known case involved attempts by the Davis Government between 1979 and 1981 to negotiate at official level a fishing treaty with Taiwan. While New Zealand had no objection to the Cook Islands trading with Taiwan, there was a strong objection to any act by the Cook Islands Government which might imply recognition of the Taipei regime. New Zealand official efforts were therefore directed to an attempt to persuade the Cook Islands Government to conduct its fisheries negotiations with Taiwan through non-governmental channels. The Cook Islands Government, with some reason, took the view that a better deal was likely to be forthcoming from official contacts, since Taiwan would be prepared to pay for what it might be able to present as quasi-recognition. (Tuvalu at that time was engaged in negotiating such a government-to-government fishing deal with Taiwan). As the Cook Islands have no significant trade with Communist China, but do trade with Taiwan (the local clothing factories in Rarotonga, for example, work with imported Taiwanese cloth), the situation was one of a clear clash of interests between New Zealand (which placed its relationship with Communist China at the top of its priorities) and the Cook Islands Government.

The issues were debated at some length in a meeting in Wellington in November 1979, and the Cook Islands representative, Hon Iaveta Short, was told in the usual language of the “special relationship” that the Cook Islands were of course free to do as they wished, but that in doing so they would be acting against the wishes of New Zealand, and consequently putting at risk the relationship with New Zealand<sup>61</sup>. The same points were made by the New Zealand Prime Minister, Mr Muldoon, in a letter to the Cook Islands Government. A statement by Mr Muldoon set out the position as follows:<sup>62</sup>

“It is true that I wrote some time ago to the Premier of the Cook Islands about Taiwanese access to the Cook Islands 200-mile economic zone. I fully support the Premier's objective of seeking the best possible return from his zone, and I certainly do not oppose his making arrangements with regard to Taiwanese fishing vessels there. The only question is how this should be done, given that our countries maintain relations with the People's Republic of China and therefore have a policy of non-recognition of Taiwan. Because of the close constitutional relationship between us, it is important that New Zealand and the Cooks consult frequently and in depth on foreign policy issues. This consultation

often takes place on Prime Ministerial level and my letter to Mr Davis was part of this process.”

The Cook Islands Cabinet appears to have been split fairly evenly on the question of whether to take the risk of proceeding despite New Zealand objections, but in the event they drew back (a decision possibly assisted by the reflection that without New Zealand help it would be impossible to arrange maritime surveillance of the Cook Islands EEZ<sup>63</sup>). After some delays, contacts at unofficial level were established and negotiations with Taiwan proceeded during the second half of 1980, and by early 1981 a draft had been prepared. The Premier, Tom Davis, then decided to visit Taipei himself, and was dissuaded only by strong pressure from Wellington backed up by members of his Cabinet. A further letter from Mr Muldoon to Dr Davis, on 4 March 1981, reiterated that while a fisheries agreement might bring financial advantages for the Cook Islands, it would substantially damage New Zealand's national interests and would therefore rebound upon the special relationship. Dr Davis, while outraged by what he saw as undue New Zealand interference, again backed off; again the New Zealand pressure was effective mainly because of the presence in the Cook Islands Cabinet of individuals who felt that \$100,000 from Taiwan was not enough to compensate for possible loss of New Zealand citizenship.

These events need to be seen in the context of the period. They overlap with other areas of negotiation between the two Governments over a variety of issues New Zealand's reluctance to fund the growing cash deficit of the Cook Islands Government in 1980; the Cook Islands Government's wish to close or reorganise the Rarotongan Hotel (their plans being blocked in that case by New Zealand threats to cut the Air New Zealand service); and the application by the Cook Islands, with New Zealand support, to join the ACP Lomé Convention and thereby obtain access to new sources of international assistance<sup>64</sup>. On all of these issues, New Zealand exercised its extra-Constitutional powers to “steer” Cook Islands policy by the selective use of what amounted to a veto on actions which went beyond the bounds of what New Zealand considered acceptable, while at the same time encouraging the Cook Islands Government to accept growing international responsibilities in areas such as the negotiation of bilateral aid, and the delineation of maritime boundaries when such negotiations were with recognised nations (notably, in the case of a recent maritime treaty, with USA).

## 2. The International Coffee Agreement.

This agreement, relating to the stabilisation of world coffee prices, had been ratified by New Zealand in November 1976, and included a “territorial application clause” (Article 64) by which New Zealand could extend its own accession to the agreement to cover the Cook Islands as well. The question of such an extension arose in 1981, when the Cook Islands Government indicated that it was unwilling simply to have New Zealand extend the provisions of the agreement to cover them as well, and proposed to draft an instrument of accession to the treaty which would “pay due respect to the Cook Islands' sovereign status”<sup>65</sup>. The New Zealand Ministry of Foreign Affairs took the view that there was no justification for the extra phrase that Gosselin (the Cook Islands Minister of External Affairs) was pressing for, because it would be entering into a multilateral relationship without reference to New Zealand and thus inconsistent with the special relationship between the two countries<sup>66</sup>.

In the event, the Cook Islands Government was persuaded to accept a “compromise formula”<sup>67</sup> which mentioned the special relationship and the fact that the Cook Islands “has

executive competence to implement treaties in the Cook Islands (and) has requested that the Agreement should apply in the Cook Islands". The point which was, apparently, established in this minor confrontation was that New Zealand did not at that time accept without reservation the Cook Islands' freedom to negotiate on their own behalf their accession to multilateral agreements to which New Zealand was also a party.

It should be noted that in opposing the Cook Islands' proposed instrument of accession, the Ministry of Foreign Affairs did not appeal to explicit Constitutional provisions, but rather to the (implicit) understanding under the special relationship that the Cook Islands should enter into international agreements only after "reference to New Zealand".

### 3. ACP Lomé.

In contrast to the two preceding cases, the current debates over Cook Islands accession to the Lomé Convention point up the fact that the Cook Islands' freedom of action in making international agreements is constrained by other countries' perceptions of the special relationship, those perceptions being formed, of course, by past New Zealand declarations on the extent to which "self government in free association" has the effect of limiting the Cook Islands' sovereignty over their own international affairs. Having so firmly told the United Nations in the 1960s that "free association" was different from sovereign independence, New Zealand has been faced in recent years with situations where Wellington is regarded, by other countries, as the conduit through which relations with the Cook Islands should be conducted. While not too upset about this in cases such as the International Coffee Agreement just cited, Wellington has been prepared to acquiesce in the Cook Islands' attempt to acquire and deploy a separate international personality so far as those agreements to which New Zealand could not be a party are concerned. The key point about Lomé II is that it is an arrangement set up for the exclusive benefit of so called "less developed countries"; in order to benefit from it, therefore, the Cook Islands must present itself not merely as a separate sovereign state (which amounts to denying what was originally the essence of the special relationship), but also as a less developed, or "developing" society an issue on which substantial doubt exists, although the ACP Lomé partners would probably not wish to push the issue. Accession to Lomé thus requires that the Cook Islands project an image which is quite separate from that of New Zealand. Nor, in making its approaches to the Lomé parties, and in deciding whether to sign any particular agreement reached, can the Cook Islands be seen as bound to act only after "reference to New Zealand".

The concept of "free association", in other words, is evolving with increasing momentum towards a situation where the status of the Cook Islands is indistinguishable from that of any sovereign independent state whose powerful neighbours retain de facto veto rights on any international initiative, but do not insist upon a consistently "shared personality". Parallels with Central America, or with the "frontier states" adjoining South Africa, are becoming increasingly pertinent. This process appears to represent a drift away from what was originally hoped for by all concerned in the decolonisation debates, when (as noted earlier) the concept of "free association" was welcomed specifically as an alternative to sovereign independence.

Reviewing the above cases, it is evident that there does not exist any clearly articulated statement of principle about the boundary of free association. In the case of the Coffee Agreement it was suggested by Foreign Affairs officials that the freedom to enter into treaties on their own terms was not open to the Cook Islands under the special relationship;



but in other cases (such as the maritime boundary treaty with the USA) that freedom has been readily conceded. It is not so much the issue of entering or not entering into treaties which defines the boundary, as the distinction between those treaty making activities of which New Zealand approves, and those of which it does not approve. This is still more evident in the case of the Taiwan fisheries negotiations. Since 1974 New Zealand has increasingly conceded to the Cook Islands the right to acquire a separate “international personality” in its international relations; but when that personality began to manifest itself in ways which New Zealand found inconvenient (i.e. by attempting to open government to government contracts with Taipei) the veto power was exercised. It was not the existence or otherwise of a separate personality that mattered – it was the character of the Cook Islands personality, as distinct from its separateness, that worried New Zealand.

### 3.7 Rethinking Free Association

The foregoing discussion has indicated that the main weakness of “free association” as designed and implemented in the former New Zealand territories has been the lack of any formalised distinction between free association and full independence. This lacuna is something which suits New Zealand interests, since it has always been important to New Zealand to be able to demonstrate to the rest of the world community that nothing in the letter of its constitutional relations with the dependent territories prevents them from attaining full independence. By the same token, the lack of any formal social contract setting out the rules of the game presents Island elites with a difficult political balancing act, and places at risk the entire spirit of the original idea of free association. If nothing prevents the Cook Islands Government from reaping the benefits which are perceived to flow from “independence”, they are required to observe a self denying ordinance which is difficult to maintain. By placing upon Island governments the full burden of maintaining the special relationship, while reserving to itself the right unilaterally to abrogate it, the New Zealand Government obtains the best of both worlds: it retains effective means of imposing its will by private, informal means (which by their nature are unlikely to be fully canvassed or debated in public), while unloading onto Island Governments the responsibility for all policy outcomes. The design of the system makes it especially difficult for conflicts between Island Governments and New Zealand to be handled constructively, because a fundamentally unequal relationship has to be operated through mechanisms ostensibly set up to mediate an equal partnership. Of all the rights which self governing countries in free association need to have securely established, the most important is the right to disagree radically, and publicly, with the dominant power without thereby automatically jeopardising the special relationship on which they depend. Among other things, this requires more channels of communication and debate than merely the present bottleneck of the New Zealand Representative and the New Zealand Ministry of Foreign Affairs.<sup>68</sup>

Island countries in free association need the chance to have constructive input into the decision making process within the dominant power. This means above all some line of communication to the New Zealand legislature.

By the same token, the dominant power in a relationship of free association needs to have clear rights to ensure that the governing elite in the self governing partner is properly held to account for its policies and actions. The belief that an adversarial Westminster style relationship between local legislature and executive would suffice to ensure that policy problems were fully ventilated was always a naive one. In an aid-receiving society where all parties have a clear interest in maintenance of the status quo, and where the patronage

powers of the executive are vastly more influential than in larger, more diversified societies, detailed legislative scrutiny of public financial management is likely to prove the exception rather than the rule. It is the legislature of the donor country which has the strongest interest in seeing the expenditure of budgetary support grants properly accounted for, and it is not at all inappropriate that the recipient country's legislature should be to some extent accountable to the donor legislature, for its role in overseeing the financial performance of the local executive government.

Similarly, in foreign-policy initiatives it is important for the elite of the self-governing community to operate in an environment where the limits to its freedom of action are publicly known and understood - especially when those limits are set unilaterally and ad hoc by the dominant partner in the relationship. The legislatures of self governing states are entitled to know the policy parameters within which particular decisions are made; and this involves far more operational statements of principle than those contained in, for example, the 1973 Exchange of Letters with the Cook Islands.

In all of these areas, the appropriate mechanism for communication, debate, and accountability appears to be some sort of select committee arrangement linking the Islands legislatures to the New Zealand Parliament. Whether or not this implies provision for Island representatives to be formally incorporated into the New Zealand parliamentary structure is an issue deserving fuller discussion than can be undertaken here. Certainly it is the case that any reform of the New Zealand Parliamentary system, and its select committee structure, should give high priority to changes designed to give Island countries in free association some clear formal status in the formation of New Zealand policy on relevant issues, and equally to give New Zealand legislators clear rights to enquire into events in those associated states.

In any such set of reforms, it will be necessary to resolve the issue of which Island "countries" are part of New Zealand, and which are not. Tokelau, for example, cannot be treated identically to the Cook Islands unless the means of access to the New Zealand legislature can be designed to take account of their different situations. The time seems appropriate for some bold creative thinking on the boundary between "integration" and "free association" in Figure 1. The time is also fast approaching when New Zealand will confront the possibility of taking "on board" other Pacific micro societies, most importantly Tuvalu, on the same basis as the former New Zealand territories. If indeed any decision is made to bring Tuvalu within the range of a "special relationship" with budgetary support, migration access, and all, then the constitutional underpinnings should be clearly understood before aid policy presents a *fait accompli*.

Some of the shortcomings to date in the prescriptions for "free association" in the New Zealand sphere of influence clearly arose from the problems of conducting the first experiment in this constitutional response to the problem of decolonisation. Earlier models from which lessons could be drawn were few; the most important was Tonga, where local self government had been accompanied by British responsibility for foreign affairs and defence over several decades. But the Tongan model was not an appropriate one for New Zealand to copy with its dependent territories, because of the extreme distance from the "protecting" power and the lack of any close integration with the U.K. either economically or socially.

Other problems have to do with inflexible and uncreative attitudes in New Zealand itself. While New Zealand spokesmen at the United Nations recognised the need for

“constitutional pragmatism” and the possibility that transplanted institutions might prove inappropriate<sup>69</sup>, the policy technicians seem to have been trapped in a narrow and inflexible set of legal dogmas which prevented lateral thinking. It is instructive to compare New Zealand's approach to constitutional prescription with that of the United States in its Pacific territories. In drafting constitutions for those territories, United States officials have taken the view that constitution-building may well involve the invention of new categories, and the unconventional use of familiar ones. They have, thus, arranged congressional representation for the Northern Marianas and American Samoa without incorporating those territories totally into the mainstream federal electoral system; and they have negotiated fifteen year compacts with territories moving into “free association” in which the obligations of freely associated states are spelt out (albeit inadequately). Similarly Australia, with the precedent of the Northern Territories' constitutional evolution, is now in a position to arrange the integration of the Cocos Islands by “tacking them on” to Northern Territories. New Zealand, however, has been unwilling to contemplate either the creation of a special category of representation in the New Zealand Parliament for Island territories, or the development of federal type arrangements. Far from starting with the position that “the wishes of the Islands people were paramount”, and building from scratch a constitutional structure to accommodate those wishes, New Zealand has presented Island elites and voters with a restrictive set of options on a take it or leave it basis, and has been unwilling to depart from “the New Zealand way of doing things” in the design of government systems.

In all three territories, this has led to unsatisfactory compromises when New Zealand preconceptions came up against local Island priorities. In Tokelau, for example, the elders have held on to “dependent territory” status largely because the alternatives on offer are so unappealing, rather than because they find the status quo to be the best of all possible worlds. Tokelauans wish to retain their local autonomy and their very non-New Zealand style of representative institutions (village councils of elders, general Fono of delegates appointed by the Councils, elected faipules - a post with no New Zealand equivalent - and a tradition of consensus rather than adversarial decision making). They also wish to retain New Zealand citizenship and financial support. They do not wish to be legally cut free from New Zealand, which is what “self government in free association” is now known to involve. They do not wish to be reduced to the status of a New Zealand suburb or county, which is the only sort of integration that has ever been offered. They do not wish to be subjected to direct rule from Wellington, which is one direction in which colonial status could have moved. They wish their public service to be at the service of Tokelau and subject to the elders' leadership and direction - but are aware that in practice this cannot be achieved under the present system of SSC/Foreign Affairs control of the TPS.

All of these desires appear to be well known and recognised in Wellington; yet political/constitutional prescription for Tokelau continues as it has done for two decades now, on the assumption that what the future holds is “self government in free association”, via a mechanistic application of the Cook Islands/Niue formula. Problems with the public service are still interpreted in terms of Westminster doctrines of the separation of powers, and sidelined by Wellington's clear anticipation that a future shift to self government will remove the problem of policy control over the TPS. Tokelauan suggestions for reorganising the public service within the present constitutional framework tend to fall on deaf ears, for the New Zealand Government evidently feels unable to establish innovative precedents in Tokelau which might flow on to New Zealand's own public service. Yet abolition of the existing constitutional framework does not address the real concerns of Tokelauans. Informally, Tokelauans are beginning to take matters into their own hands, with encouragement from individual New Zealand officials. The community services levy is an

attempt to “share out” some of the public service's large salary and wage bill, and to shift the incentive structure in the Tokelau economy away from the unproductive to the productive activities on the atolls. Current proposals for democratic policy committees to be integrated with the top levels of public service departments represent an opening out of the hierarchical and autocratic traditions of the New Zealand public service. And inevitably, in a community as small and tight knit as Tokelau, the New Zealand crusade to prevent public servants from contributing directly to policy debates in the Islands will prove futile. Of the various imported dogmas associated with New Zealand management of the TPS, the separation of powers is probably the silliest - though the insistence on permanent full time staff with New Zealand related salary and wage scales has probably been the most directly damaging.

Tokelauans would clearly like to be sure of their status as part of New Zealand, and assured that local autonomy and identity will remain compatible with that status. Wellington would evidently prefer to consolidate a new status for Tokelau which would render it no longer part of New Zealand in any unequivocal sense, thus avoiding the thorny question of how to integrate the territory into the New Zealand political system without setting a major precedent for regional autonomy, and hence local government reform in the New Zealand mainland. The evident parallels between the issue of Tokelau and the domestic question of separate Maori representation, land law, and quangos, are resisted by New Zealand policymakers, probably because a sympathetic settlement with Tokelau could provide powerful impetus for Maori claims on the mainland. (In addition, obviously, the terms of any Tokelauan integration with New Zealand would be likely to flow on to Niue at least).

Influential Tokelauans made it clear to us that the present dual role of the Official Secretary (as representative of the New Zealand Government and head of the Tokelau Public Service) is regarded locally as untenable in the long run, since in any dispute between Tokelau and New Zealand the Fono would wish to have the TPS's skills and knowledge at its disposal, rather than tied to the New Zealand side. As matters now stand, the TPS members are obliged to promote the official line (which in the final analysis is dictated from Wellington, whether by acquiescence or intervention). In the Olosega debates of 1979-80, for example, the Fono had no independent source of advice other than the New Zealand Official Secretary and Foreign Affairs officials, and this fact was arguably instrumental in obtaining the result desired by Wellington (namely Tokelauan agreement formally to renounce their claim to Olosega).

Turning to Niue, the 1974 Constitution embodies what was clearly a second best means of responding to Niuean priorities. Throughout the constitutional debates from 1962 to 1974, Niueans of all sorts made clear their opposition to any weakening of the New Zealand connection, and their insistence that “self government in free association” should not be allowed to slide across into full independence. Since New Zealand's target was a self government constitution for Niue, with no barriers to Niuean independence, Niueans were able to embody their desire for permanent links only by having included in the Constitution a series of provisions which tied New Zealand into legally binding commitments of support.

“Necessary” economic assistance was guaranteed, New Zealand citizenship retained (though only under the now insecure 1948 citizenship law) and the perpetuation of secure employment for virtually all Niuean males in the New Zealand model public service was made constitutionally binding. Thus, unable to make an impact on the New Zealand designed superstructure, Niueans opted to obtain constitutional status for the economic

“base” of their MIRAB society - something which now substantially ties the hands of policymakers on economic and social matters. The key point in the Niuean constitution is that New Zealand can escape from its aid commitment only by a two thirds vote of Niueans, which is a sort of second-best to their being enfranchised in New Zealand elections.

In the Cook Islands, finally, the clash between New Zealand and local interests which is now emerging is one which has been foreseeable for the past two decades. In a process begun by Albert Henry and continued by Tom Davis and Geoffrey Henry, the Cook Islands elite have identified and occupied a niche in the murky zone between “self government in free association” and full sovereign independence. The description “independence in free association” accurately captures the nature of the present status quo, and the decisive point in the drift from self government to independence seems to have been the 1973 Exchange of Letters, in which the New Zealand Government confirmed that pursuit of a separate Cook Islands “personality” in international affairs was viewed as compatible with the special relationship between the two countries. Given the latent, but real, tension between the aspirations of many of the Cook Islands political elite to operate as independent statesmen on the world stage, and the unwavering interest of a solid majority of Cook Islanders in maintaining the close links of citizenship and financial subsidies with New Zealand, the 1973 Exchange of Letters was a means of providing Albert Henry with domestic room for manoeuvre in promoting his campaign for greater independence in external affairs. The Exchange remains the only attempt to date to put in writing any compact between New Zealand and a freely associated country, and its main characteristic is the vagueness with which Cook Islands obligations under the special relationship were set out, and the clarity with which Cook Islands independence of action was confirmed. (As already noted, this was in line with the Third Labour Government's policy of shifting all Pacific Island matters into the Foreign Affairs realm).

The 1973 Exchange is silent, in particular, on two key operational issues which threaten to produce growing tension between the two partners over the next decade. The first is the issue of whether or not any overseas nation which wishes to do so is entitled to open a diplomatic post in Rarotonga. The second is the issue of whether the incurring of unsustainable overseas indebtedness by the Cook Islands Government is compatible with the “shared values” on which the special relationship rests.

So far as the letter of the law goes, it appears clear that the Cook Islands are entitled to open diplomatic relations on their own account with any willing foreign government. So far as the special relationship goes, New Zealand has encouraged the Cook Islands to deal directly with the US Government, but vetoed direct dealings with Taiwan. The issue has yet to be confronted, however, of whether New Zealand is prepared to accept diplomatic representatives other than that of New Zealand itself in Rarotonga. In discouraging foreign powers from dealing with the Cook Islands via the New Zealand Ministry of Foreign Affairs in Wellington, New Zealand appears to have opened the way for the establishment of such posts in the future. On the other hand, New Zealand's strategic view of its sphere of interest in the Cook Islands (the concept of strategic denial) amounts virtually to an unstated Monroe Doctrine for the area. There appears to have been no “thinking through” of the diplomatic post issue in Wellington to date, but it seems probable that it will shortly have to be confronted.

On the issue of indebtedness, New Zealand seems unwilling to go beyond informal intimations to the Cook Islands Government that New Zealand cannot be expected to

underwrite major blunders in economic policy. While perfectly defensible in terms of the letter of the Constitution and the Exchange of Letters, this approach is short sighted and ultimately unworkable. The special relationship assures the Cook Islands of long term New Zealand support, and includes explicit guarantees given in the early 1960s that this support would include a willingness to bail the Islands out if they failed to “swim in the lagoon” of self government<sup>70</sup>. Any abandonment by New Zealand of the guarantees given during the decolonisation period should be clearly, explicitly, and publicly set out; informal and confidential government to government communications do not meet this requirement. As already noted, the Cook Islands political elite has been more willing to place the special relationship at risk than have the Cook Islands electorate; the indebtedness issue is not one on which New Zealand should rely on private dealings with that elite. Again the absence of any channel of communication between the legislatures of the two countries turns out to be unfortunate.

It may well be that promises made by past New Zealand Governments were ill-considered and ultimately unworkable, but this does not justify their covert abandonment. This is especially true of promises which made sense, and would have been relatively easy to keep, within the system of “self government in free association” as originally conceived; but which have become potentially very costly as the result of an evolution of the special relationship in which New Zealand Governments have explicitly acquiesced. There appear to be strong grounds for insisting that the Gotz promise of 1962, to underwrite Cook Islands failure, is contingent upon the willingness of the Cook Islands Government to consult fully with New Zealand before entering into major foreign borrowing programmes; and for placing on the open record (possibly through a new Exchange of Letters) the limits of New Zealand's redefined underwriter role.

### 3.8 Some Final Policy Notes

This chapter has dwelt more on the negative than on the positive aspects of New Zealand's record vis-a-vis its former colonies. In embarking upon a final set of comments, therefore, it is appropriate to begin by making the point that in general, things have turned out quite well, and the long run record of New Zealand is one in which a certain amount of pride is in order. The trends which, we have suggested, threaten the relations between New Zealand and the Islands, are all recognised in official circles in Wellington, although they do not appear to have been the subject of much attention in the New Zealand Parliament (where long run solutions will eventually have to be decided upon). These trends do not yet amount to any inevitable or irremediable crisis; in the meantime, there is a solid foundation of shared values and mutual trust on which to build or rebuild. Conditions of life (social, economic and political) in the former New Zealand territories remain superior to those in most other parts of the Pacific. The most fundamental New Zealand promises on citizenship, access, and financial assistance have been honoured, albeit grudgingly on occasion. And although New Zealand officials have frequently promoted concepts and institutions which ran counter to Island realities, they have generally been prepared to back off when local opposition became explicit and firm.

The chapter, thus, is to a considerable extent about missed opportunities, and about unnecessary lapses in New Zealand's record. To some extent also it is about a real confusion amongst New Zealand policymakers over the goals to which their policies have been directed. The Pacific mini societies, by their very nature, have been peripheral to the mainstream of New Zealand policy, a situation aggravated by the 1974 transfer of responsibility for Pacific matters from the Island Affairs portfolio to that of Foreign Affairs.

In order to give coherence to policy decisions, there has been a tendency to rely upon supposedly universal doctrines - ranging from “self determination” to “strategic denial” - rather than to commit resources to the quest for appropriate policy packages for the special case. There can be no doubt that one important motivation behind New Zealand policy has been national self interest - both the strategic interest in maintaining a sphere of influence, and economic interest in securing a cheap and highly productive labour supply during the years of the long postwar boom. Neither of these, however, has posed much threat to the interests or wishes of the peoples of the territories concerned, who have remained New Zealanders and are undismayed either by New Zealand regional influence or by the prospect of employment in New Zealand factories. As is suggested in Chapter 5, so called “dependence” in the case of the Pacific mini societies is far from being a pathological condition; and it is policies supposedly aimed to reduce “dependence” which have posed the most immediate threat to the interests of the peoples of these societies.

Where, then, should attention be focussed in any rethinking of New Zealand policies on the political evolution of the mini societies? The top priority seems to be a careful reconsideration by New Zealand of the possibility of some form of political integration between the former dependent territories and mainland New Zealand. In any future recontracting of the special relationship between New Zealand and any of the three territories, it will be necessary for New Zealand's political position on integration to be known in advance, since Island leaders are unlikely to press proposals which they believe to be unacceptable to New Zealand. The question of New Zealand's willingness to contemplate new political and constitutional links, designed on flexible terms adapted to Island realities, provides an acid test of the oft-declared New Zealand desire to act in accordance with the wishes of the Island people. If integration and related options are to be foreclosed by New Zealand in a future recontracting with the Islands (as was the case in the earlier decolonisation phase) then this should be done on the basis of a clear and properly debated political decision.

In both Tokelau and Niue, the experience of the past two decades seems to suggest that the objective conditions for autonomous local government exist, but not the preconditions for establishment of viable nation states. Territories with populations of 3,000 or less are not well placed to support and staff a complete reproduction in miniature of the Westminster system of national government, and past New Zealand promotion of balkanisation in the region has been ill-advised. The case for some degree of constitutional integration of these two societies with New Zealand is strong, and need involve relatively little change in the status quo. In the case of the Cook Islands, both objective and subjective conditions for survival as a small nation state appear to exist; the issue there is one not of feasibility, but of desirability, and the case for some degree of constitutional integration rests upon the view that the chances of survival for the special relationship with New Zealand would benefit from the installation of some more formal checks and balances.

Central to any attempt to give new shape to “self government in free association” is our proposal for establishment of a select committee or similar mechanism in the New Zealand Parliament to deal with Islands issues and to oversee the working of the relationship between New Zealand and the Islands. If, as we propose, the provision of budgetary support and other subsidies for the Islands is separated from the development aid vote and made subject to some explicit provision by the New Zealand Parliament (as was the case in the 1960s) then such a select committee arrangement would be responsible for monitoring expenditure policies in the islands. Provision would need to be made for some form of

Island representation, and for an obligation for the relevant authority in the islands to report to the committee and to respond fully to its queries.

It is important to emphasise that under the Constitutions of Niue and the Cook Islands, New Zealand has no legal rights to initiate constitutional changes, or even discussion of such changes. The absence from these documents of any provision for a constitutional review (with New Zealand participation) after some specified period of experience with self government, is another of their shortcomings. (It was, after all, always claimed at the time of decolonisation that future options were not being foreclosed; a constitutional provision for the parties to review the operation of the constitution, say every ten years, would not have been out of place). The political reality, obviously, is that Island leaders would respond positively to a declared New Zealand interest in reviewing the social contract of free association, provided that New Zealand was not seeking unilaterally to abolish the contract.

### 3.9 Postscript: Tuvaluan Independence.

Although the focus in this chapter has been on the decolonisation process in the former New Zealand dependencies, we believe that many of our conclusions could be extended to the case of United Kingdom decolonisation of Tuvalu. The Tuvaluans' insistence on their distinct cultural identity, and their desire to avoid domination by the Gilbertese majority in the former Gilbert and Ellice Islands Colony, led naturally to the separatist pressures culminating in the 1974 Ellice referendum on secession from the Gilbert and Ellice Islands colony. The British administration seemed not to realise the depth of feeling between the Tuvaluan and Gilbertese communities, and tried to deter separatist sentiment by offering very ungenerous financial terms for the Ellice component of the GEIC in the event of separation - one ship, no claim on phosphate revenues or reserve funds, and no scope for negotiation. It was made clear by UK officials that Tuvaluan living standards would be adversely affected by separation. The referendum nevertheless attracted a 92% majority in favour of separation.<sup>71</sup>

Comparisons are obvious with New Zealand efforts in the early 1960s to persuade Tokelau to join either Western Samoa or the Cook Islands, and with earlier discussion of combining Niue with the Cook Islands. In those cases, local feeling ran strongly in favour of separate identity, but with each entity retaining its own links with New Zealand. The desire for recognition of identity, and for considerable autonomous control over local affairs, should not however be confused with a desire for sovereign independence per se. This is one of the important points in relation to Tuvalu's decision to separate from the GEIC. Macdonald, writing in 1975, pointed out that the Tuvaluans did not "seek independent statehood but only, at least for the foreseeable future, separate colonial status which recognises their national identity".<sup>72</sup>

The subsequent precipitate move to full independence in 1978 arose from three main sources. First, and most basic, was the long standing British policy thrust towards decolonisation - the desire, as Macdonald puts it, to "usher the Colony into independence".<sup>73</sup> British officials clearly took it for granted from at least the 1960s on that the decolonisation process already familiar from British colonies elsewhere would be reproduced in due course in the Gilbert and Ellice Islands Colony, and there was therefore considerable momentum already established toward independence by the time of formal separation of Tuvalu from the GEIC in 1975. The second force pushing in the direction of independence was the international community of aid donors and political agencies. The



climate in the Pacific in the mid late 1970s was one of competitive bidding between Soviet and Western governments, in the course of which the impression was given that independent small states were in a favoured position to lay claim to large volumes of aid from various donors. Set against the very severe financial constraints imposed upon Tuvalu by Britain as part of the separation arrangements (conditions which most Tuvaluans viewed as punitive and unjust) the attractions of independence were artificially, and temporarily, enhanced in the minds of Tuvaluans.

The third force behind independence, and one which again rouses echoes of the Cook Islands situation, was the emergence of a strong, though small, elite of Tuvaluan politicians with a vested interest in independence. In the Cook Islands, as we have seen, the pro-independence leanings of ambitious politicians have always been held in check by the basic realities of economic and social ties to New Zealand.

In Tuvalu, similar links to the UK were nothing like as strong, while the early years after separation were a period both of stringent limits on British financial assistance, and growing local confidence in the possibility of long run financial self reliance on the basis of philately and fisheries. Under these circumstances, Toaripi Lauti's strong personal thrust towards independence encountered no effective opposition. As Macdonald describes the decision:<sup>74</sup>

“The preparation for independence began almost as soon as separation was complete. While most Tuvaluans were emphatic in their desire to seek a separate destiny from the Gilbertese, there was still bewilderment at the notion of decolonisation, at the idea that Britain should want to forsake its colonial trust. Yet they accepted that it was their politicians who had achieved the first, essential goal, and they had no desire to be left behind other Pacific nations. From that point, the leadership of Toaripi Lauti was sufficiently persuasive for the goal of independence to win widespread acceptance.”

Six years on from independence, the realities of financial stringency have become more evident, especially during the Tuvalu Government's cash flow crisis of 1980-81 (coinciding, not only with the Sidney Gross affair, but also with the Cook Islands and Niue Government's difficulties as double digit inflation wreaked havoc on previously agreed levels of financial assistance).<sup>75</sup> Early hopes of economic self sufficiency and some long run growth in living standards have also faded (see Chapter 10). The climate now appears to be one in which the increased security provided by a “special relationship” of some kind with a stronger and friendly country (not Kiribati, obviously) could be quite welcome. One prominent member of the present Tuvalu government expressed to us his interest in a possible “free association” arrangement with New Zealand similar to that currently enjoyed by the Cook Islands and Niue, and we feel that this possibility merits consideration.

It may be worth pointing out that there is a historical precedent of sorts for this suggestion in the case of Tuvalu:<sup>76</sup>

“In the immediate postwar years, (UK) High Commission staff saw separation (of the Ellice Islands) as inevitable and in 1945 they held information talks with their New Zealand counterparts to consider the possibility of either New Zealand taking over the Ellice Islands or of

Britain resuming responsibility for the Tokelaus to make a more viable unit when the time came. Nothing came of the proposals.”

## CHAPTER THREE REFERENCES

- <sup>1</sup> “People in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back” (General Theory, Chapter 24, v).
- <sup>2</sup> A lucid discussion of the shortcomings of “modernisation” type views of the role of the State, and the importance of “developmentalism” as a means of legitimating institutions which lack genuine local roots, is in Sack (1982).
- <sup>3</sup> The concepts applied in the Pacific “were developed in the decolonisation of African territories in the 1960s, when disengagement was becoming a political and economic necessity for most Western powers; and the lessons of Africa were then transferred, largely by the colonial powers, to the Pacific”. (Herlihy, 1982: 42).
- <sup>4</sup> This applies most strongly to the small island societies covered in this paper. Western Samoa, Fiji, and Vanuatu would need careful qualification.
- <sup>5</sup> Herlihy (1982): 37 and 40.
- <sup>6</sup> Principle VI. In 1970 the General Assembly approved a Declaration on Principles of International Law Concerning Friendly Relations and Cooperation among States in Accordance with the Charter of the United Nations (G.A. Resolution 2625) which stated that “The establishment of a sovereign and independent State, the free association or integration with an independent State, or the emergence into any other political status freely determined by a people constitute modes of implementing the right of self determination by that people”. (Cited by Clark 1980:64, his emphasis.) As Clark notes, this substantially widened the range of alternative outcomes which could be defended as being in accord with UN principles. New Zealand's discussions with the peoples of Cook Islands, Niue and Tokelau seem to have been conducted in terms of Resolutions 1514 and 1541, not 2625. (In the Cook Islands case, of course, 2625 still lay in the future and could not have been appealed to; but it seems of clear relevance to the other two.)
- <sup>7</sup> On the evolution of the concept see Clark (1980): 38-66.
- <sup>8</sup> Corner (1962): 133-35
- <sup>9</sup> Statement on the Cook Islands made in the Fourth Committee by the New Zealand Representative, Mr F H Corner, on 17 November 1965. Paragraph 10.
- <sup>10</sup> These points were explicitly set out in the 1973 “Exchange of Letters” between the Governments of New Zealand and the Cook Islands; see AJHR 1973, A10
- <sup>11</sup> An intriguing possibility arises in the case of the Cook Islands Constitution Act 1964, which in Section 41 of the Schedule empowers the Cook Islands Legislative assembly to “repeal or amend this Constitution”, provided that a two thirds majority has been secured in a referendum. If the Constitution were to be repealed, matters would presumably revert to the 1964 status quo ante that is, the Cook Islands would revert to the status of a dependent territory. Stone (in Journal of the Polynesian Society, September 1965, p. 367, note 42) suggests that the Cook Islands could, under this section of the Constitution, enter into negotiation with New Zealand on terms of integration at any time if the necessary two thirds majority could be secured, and he suggests that (p. 369) “While it is admitted that the New Zealand Government preferred free association ... it would, under the set of Principles according to which it was acting, have had to accept integration or independence, if such a choice had been made”. While strictly correct, this statement begs the real issue, namely whether New Zealand would be willing to negotiate terms for integration that could have been acceptable in the Islands. In presenting the Cook Islands Constitution to the United Nations, New Zealand's representative stressed “the freedom of the Cook Islanders, laid down in the Constitution, to move into independence or any other practicable status by a unilateral act” (AJHR, 1966, A2, p.56, our emphasis); the word “practicable” is the key one here.
- <sup>12</sup> In other words, if New Zealand had wished to achieve such a result “in accordance with the freely expressed wishes of the people”, it would have been possible to do so.
- <sup>13</sup> Gilson (1980): 199.
- <sup>14</sup> Though there is evidence of serious official consideration of integration as a possibility for the Cook Islands in the late 1940s and early 1950s; see Stone (1965): 366 fn.33. For a statement of the case for integration see Peren, G.S., “Agriculture of Samoa, Cook Islands, and Fiji”, Massey Agricultural College Bulletin No. 20, 1947: 16.
- <sup>15</sup> Belshaw and Stace (1955): 5-6.
- <sup>16</sup> Belshaw and Stace (1955): 147-148.
- <sup>17</sup> Belshaw and Stace (1955): 3.
- <sup>18</sup> Aikman (1955): p. 3.
- <sup>19</sup> Cook Islands Legislative Assembly, Debates 1962, p. 105.
- <sup>20</sup> Aikman, Davidson, and Wright (1963).
- <sup>21</sup> Aikman et al (1963): 23.
- <sup>22</sup> Ibid: 23-24

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23 Aikman et al. (1963): 24.  
 24 Report to the Niue Island Assembly on the Constitutional Development of Niue, AJHR 1971, A4,  
 25 pp. 7-8.  
 26 Radio interview, May 7, 1984.  
 27 Interviews, May 8 11, 1984.  
 28 The referendum on the Constitution on September 3, 1974 resulted in 887 for and 469 against in a  
 29 65% majority. But this was not a referendum on the choice between self government and the  
 30 alternatives.  
 31 Stone (1965): 98-99.  
 32 Stone (1965): 106.  
 33 See "Exchange of Letters between the Prime Minister of New Zealand and the Premier of the Cook  
 34 Islands concerning the nature of the Special Relationship between the Cook Islands and New  
 35 Zealand", AJHR 1973, A10, p.2.  
 36 Cook Islands Legislative Assembly Debates, 1965.  
 37 For an account by a participant in the drafting of these see Northey (1965): 112-118. A strong  
 38 attack on Northey, which damages his credibility but not his line of argument, is Stone (1965a):  
 39 360-374.  
 40 Iaveta Short, quoted in Evening Post (Wellington), April 23, 1984; 6.  
 41 Cf. Chapman (1976): 68-69.  
 42 Virtually, because there were some voices, mainly expatriate ones, raised in the Cook Islands in  
 43 1964 to claim that New Zealand was imposing neo colonial policies and blocking the path to full  
 44 independence. Two Rarotonga residents, Syme and Dashwood, sent letters to the United Nations  
 45 along those lines, causing a brief furore (Cook Islands Legislative Assembly Paper No 31, 1963)  
 46 attracting a strong rejoinder from New Zealand Prime Minister Holyoake on August 19, 1963. The  
 47 text of the letters, however, reveals less a principled argument for independence as such, than a  
 48 strong attack on New Zealand colonial administration and a demand for more real local autonomy.  
 49 AJHR 1971, A4: 5.  
 50 Chapman (1976): 65.  
 51 Cook Islands News, April 26, 1963.  
 52 Northey, (1965): 113.  
 53 The present negotiations over Cook Islands access to the Lomé Convention provide a case in point;  
 54 see below.  
 55 AJHR 1970, A1: 11.  
 56 AJHR 1973, A1: 3.  
 57 AJHR 1973, A1: 11.  
 58 AJHR 1974, A1: 20. The text of the exchange of letters, of course, laid down the importance of a  
 59 shared international personality, which precluded any unrestrained pursuit by the Cook Islands  
 60 Government of its own foreign policy. It seems, however, that the New Zealand Government  
 61 discounted at this time the possibility that the Cook Islands might find its own interests taking it  
 62 beyond the implicit bounds imposed by the special relationship.  
 63 On 13 July 1974 Sir Albert Henry publicly suggested that the Cook Islands might seek  
 64 independence to safeguard the returns from undersea manganese nodules. The following month he  
 65 raised the possibility of an election early in 1975 at which independence could be the central issue.  
 66 However, Cook Islands Party campaigning on the issue encountered strong opposition; several  
 67 islands stated that they would leave the Cook Islands and seek integration with New Zealand if the  
 68 independence proposals were pursued. In the event, the election in December 1974 resulted in the  
 69 loss by the Cook Islands Party of its two thirds majority in the Legislative Assembly, and hence  
 70 blocked the Henry government from undertaking any reform of the Constitution.  
 71 AJHR 1975, A1: 14.  
 72 See, for example, the description of Cook Islands self government in AJHR 1965, A1: 48: "...a  
 73 former colonial relationship is being transformed, not into independence but into a free partnership.  
 74 Cable of November 11, 1974, MFA files 291/1/1, Part 2.  
 75 Memo 19 November 1974, Piddington to Norrish and McDowell, MFA 296/1/1, Part 2.  
 76 13 February 1975, Ashwell to Wellington, MFA 296/1/1, Part 2.  
 77 As was recognised by Aikman et al. (1963).  
 78 As Aikman notes (1982): 90-91, the Constitutional Amendment (No 10) Act failed to elucidate  
 79 whether the Queen should make the appointment on the advice of the Prime Minister of New  
 80 Zealand or of the Cook Islands.  
 81 See e.g. Government of Niue: Report of the Audit Office and the Accounts for the year ended 31  
 82 March 1982: 8-9.  
 83 Ibid, 1983: 11.

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55 Chapman (1976): 67.

56 See e.g., Aikman et al (1963): 20 21: "The conduct of the external relations of the Cook Islands will, of course, remain a responsibility of the New Zealand Government. This is a consequence of your choice of self government, rather than independence .. In some cases ... New Zealand might delegate to the Government of the Cook Islands the power to act on its own behalf ...".

57 "New Zealand's Relationship with the Cook Islands", 17 June 1983, MFA files 118/12/104/1.

58 Quentin Baxter: (1982): 119.

59 Aikman (1982): 92.

60 Sir Gavin Donne, interview, April 25, 1984.

61 Meeting of 1 November 1979, MFA file 306/15/9.

62 Hansard 1979, No 39, p 4913, answer to question 222, December 14, 1979, records the Prime Minister's statement of December 7, 1979. The question, from Richard Prebble MP, had asked inter alia if it was true that New Zealand had opposed a Cook Islands fishing agreement with Taiwan.

63 Cf report by D K Hunn, 29 December 1979, MFA 306/14/9.

64 See Aikman (1982): 93.

65 Cable, NZ Rep to Wellington, 5 May 1981, MFA 306/15/5.

66 Wellington to Rarotonga, cable 8 May 1981, MFA 306/15/5.

67 Aikman (1982): 95.

68 Characteristically, island leaders have developed their own informal means of diversifying the links of consultation and debate. Most important has been the device of direct personal appeals to the New Zealand Prime Minister, over the heads of New Zealand officials. This personal link has been strengthened by private encounters at annual Forum meetings.

69 See the quotation at the beginning of this paper.

70 The expression comes from speeches to the Cook Islands Legislative Assembly in 1962 by Mr Gotz, the Minister of Island Territories, and Mr J.M. McEwen. Mr Gotz's promise, delivered at the end of a two day session devoted to the issue of the terms of a new constitution for the Cook Islands was:

"Mr McEwen said that I thought it was now time I threw you into the lagoon, to swim or to sink. I am sure you will be able to swim but let me assure you that I will always have a life belt and a rope handy." (Legislative Assembly Debates 1962: 118).

71 B. Macdonald, "The Separation of the Gilbert and Ellice Islands", Journal of Pacific History, 1975:86.

72 B. Macdonald, "Secession in the Defence of Identity: the Making of Tuvalu". Pacific Viewpoint, May, 1975:43.

73 B. Macdonald, Cinderellas of the Empire (1982): 259.

74 Macdonald (1982):264.

75 Peat Marwick Mitchell and Co, financial consultants, produced a report on Tuvalu's public finances in 1981 which traces in detail the extent to which the nascent nation state of Tuvalu had been living off its capital in order to avoid cash insolvency and the hard line initially taken by the British government in response to urgent appeals for help. Peat Marwick Mitchell were directly instrumental in persuading the British government to approve special additional assistance of \$538,000 in April 1981.

76 Macdonald (1982): 259.



## CHAPTER FOUR

### AGRICULTURE AND THE VILLAGE MODE OF PRODUCTION

#### 4.1 Introduction

The actual performance of agriculture in the whole South Pacific region in the last two decades is typical of aid and remittance led economies. Per capita agricultural exports for most countries have been stagnating or even declining, while the range of products produced has narrowed rather than diversified. The record of agricultural production for the five small states of this study is examined in the country chapters (Chapters 6-10), reflecting the stagnation or falling output of the South Pacific region as a whole.

It is of course well known that to the World Bank, Asian Development Bank, United Nations agencies and other donors, almost all countries in the region (outside Papua New Guinea and perhaps Fiji) are too small and their development prospects too paltry in normal economic terms to warrant much aid or investment. Since this is the case, projects in the five small states are even less “bankable”. In spite of this however, a good deal of external aid has been forthcoming from these and other donors, with considerable inputs in terms of skilled technical personnel, in the range of agricultural training and extension facilities provided, and in financial and other resources devoted to agriculture. The results however have been minimal and not commensurate with the expectations, inputs, development plan targets and promises or hopes of politicians and external advisers. Why is this so?

#### 4.2 Is Agriculture to blame?

This report argues that the frequently noted rising level of food imports (often representing from 20 to 40 percent of total imports) and the declining value of agricultural exports in the South Pacific are symptoms rather than causes of fundamental changes in the island economies. Rather than blaming such trends on the failure of agriculture<sup>1</sup> which is seen as creating a balance of payments problem, reducing capital available for development, and emphasising dependency in general, it is necessary to view agriculture and indeed rural development in general as part of a much broader economic structure.

Consider an illustration from Western Samoa. A New Zealand diplomat who had held a posting in Western Samoa recounted this anecdote:

“I visited Alafua Agricultural Experimental Farm and was impressed with the profusion of excellent tropical fruits and vegetables that had been successfully cultivated. Many eggplant however had not been picked and lay rotting on the ground. I asked my Samoan companion, ‘Why had the fruit not been harvested and sold?’ My companion replied, “Why should we Samoans have to work like dogs?”<sup>2</sup>

Of course any tourist visiting South Pacific countries hears such stories of a lack of effort by islanders. Even prime ministers and other senior figures in the region complain from time to time of lack of sustained “drive” or “determination” by rural producers.<sup>3</sup> The simplistic, ethnocentric interpretation that “the Islander is lazy” is untrue and unfair, for

there are numerous examples of impressive achievements by village workers (e.g. see p. below). The problem is rather one of motivation, given the alternative choices facing the villager and the broad economic environment in which he now lives.

Until very recently however (and still to a degree with some other countries of the region) overseas agronomists visiting the islands have persisted in seeing the failure of agriculture as an agronomic problem. Yet as at Alafua in Western Samoa, the wide range of plants grown successfully at Titikavika Research Station on Rarotonga illustrates that the problem is not primarily one of how to grow appropriate fruits or vegetables. Nor is it primarily a marketing problem, though it is true that major costs and difficulties in shipping services, providing access to islands such as Aitutaki which lacks a harbour, and of price on the New Zealand market are important contributory factors, as is the need for consistent, fair marketing policies from New Zealand (Bellam, 1980 and 1981). It remains primarily a production problem (as the small volumes produced in the islands indicate) and to date policy makers in both the islands and New Zealand have failed adequately to analyse and understand the formidable economic and socio cultural factors involved. And in the main the production problem is not agronomic but economic.

#### 4.3 Subsistence Affluence

A basic reason for the low labour input characteristic of the South Pacific is the considerable degree of subsistence affluence that islanders enjoy. In marked contrast to the land hungry peasant societies of Asia, the non peasant societies of the Pacific have (except on some atolls) always had access to abundant land and labour resources. As Fisk has outlined in his model (Fisk 1973) they are able to produce from their own resources as much as they can consume of the normal staple foods (plus a surplus needed for reciprocity or insurance against natural hazards) with the employment of only a small part of the total labour and land available to them. Thus within this non monetary system, the productivity of their labour is very high and throughout the Pacific it is common to find substantial groups of people able to sustain this level of consumption from their own resources at the cost of an average labour input of about three hours per man day or less (Fisk, 1973:59). With the addition of a cash crop or two such as copra or bananas, to the subsistence system, only a few more hours of labour per week are required.<sup>4</sup> Today cash cropping is usually grafted on to the subsistence system in a supplementary way, and other sources of income outside agriculture are also usually available, but the level of subsistence affluence is such that village producers will give up production of a cash crop (such as banana growing at Utua'li'i in Western Samoa<sup>5</sup>) if the market price falls below a level deemed to be the minimum acceptable. Even although no other cash crop or money earning option might be available as an alternative, villagers frequently choose to give up production at such an uneconomic level, preferring to spend the time saved in other meaningful village activities. Thus motivation and alternative choices of action arise from the socio economic and cultural environment that we term the "village mode of production".

#### 4.4 Agricultural Enterprise

To understand enterprise in the South Pacific it is important to identify the necessary elements on which it depends. As Fisk and Honeybone (1972)<sup>6</sup> have noted, these include:



- (1) A market for the goods or services they produce.
- (2) Motivation to succeed.
- (3) Some physical resources, such as land for agriculture, minerals for mining, or a special skill.
- (4) Labour.
- (5) Capital.
- (6) Leadership.
- (7) An institutional framework in which elements 2 to 6 inclusive can be effectively combined to provide goods and services to element 1.

With respect to agricultural enterprise, this set of factors can be organised in a variety of institutional structures such as various smallholder structures (the village mode of production, settler schemes of smallholders coloniterprise depends both on the quality of the seven separate elements listed above and the effectiveness with which they can be combined.

#### 4.5 The South Pacific Agricultural Survey

Recently a major survey by the Asian Development Bank, the South Pacific Agricultural Survey (SPAS, 1980) studied in depth the problems of agriculture in seven countries of the region (two of which are covered in this report). They concluded that the dominant agricultural production mode which they call the “mixed subsistence cash cropping system” (our “village mode of production”) in many parts of the region is now:

“... at a point where major changes may be required if both national needs for growth in commercial output ... and individual aspirations for higher cash incomes are to be met. The mixed subsistence cash cropping mode does not provide a promising basis for continued growth ...” (pp. 479 80).

The SPAS study suggests some of the reasons for the inadequacy of the village mode of production, including poor quality management, but does not analyse it in any depth. It has however been analysed in depth by a number of fieldworkers (see footnote 4 above) who have examined how the social organisation, values and institutions such as reciprocity impinge upon the production system. An excellent illustration for Western Samoa has been provided by Ala'ilima and Ala'ilima (1969)<sup>7</sup>. We have suggested above that the “subsistence affluence” of islanders is one important reason why motivation to produce more goods within the village system of production is not great.

#### 4.6 The Village Mode of Production

In Table 4.1 the characteristics of the village mode of production are summarised. Since the overwhelming majority of the rural population in the South Pacific lives in village communities, almost all rural dwellers (apart from a small number in settler schemes, and

TABLE 4.1  
Problems of “Modernising” the Village Mode of Production

1. The goals of production are diverse and competitive. Maximising output is not usually important.  
Goals are
  - subsistence for the household (usually the main consumption unit)
  - reciprocity (gift exchanges)
  - redistribution (in “big man” or chiefly systems)
  - market sale.
2. Social insurance, security, community well being, are the prime concerns
  - sharing and reciprocity
 (These are admirable principles but conflict with maximising production).
3. Land use system consists of
  - groves of tree crops
  - shifting gardens
  - gathering, hunting.

Under rotational bush fallow, perhaps over 100 scattered gardens in a village.

Characteristics:

  - inter cropping
  - difficult and costly to achieve a transition to permanent cropping
  - impossible to achieve scale economies
  - difficult to apply modern techniques and not greatly needed with bush fallowing.
  - e.g. artificial fertilisers
  - disease control
  - weed control.
4. Adapted to a demand ceiling
  - subsistence affluence and “limited needs”
  - labour input 10 20 hours per week sufficient to obtain requirements
  - agricultural tasks merely part of whole socio economic field of activity
5. Production techniques adapted to non monetary capital inputs.
6. Customary land tenure system a disincentive:
  - multiple or clan “ownership”
  - “land” not “farm” tenure
  - fragmented small plots
  - absentee owners with out migration
  - land or boundary disputes
  - often a poor basis for gaining a bank loan.
7. Innovations, new crops often “contextualised” in crop assemblage very difficult to mechanise.
8. Alternative sources of income are often important. (e.g. remittance income from migrant relatives; wage labour; fishing).
9. Sometimes traditional (rather than modernistic) leadership.
10. Absence, due to out migration of would be entrepreneurs, most skilled and educated people and a considerable proportion of the younger labour force.

some living on plantations) are involved in the village mode of production. The importance of the village mode of production, its resilience in hard times, and its survival are not in doubt. The main concern of the village mode of production as a whole however is security, and market production is only one of a number of competing goals. As an ongoing system providing continuity between the generations, community well being and social insurance, the value of the village mode of production cannot be doubted. But the production system is enmeshed in many socio-cultural factors in this environment, inhibiting efforts to lift production. Consideration of Table 4.1 suggests that many of the characteristics of the system pose great difficulties with respect to promoting agricultural growth or innovation designed to increase marketable output. In view of the widespread persistence of the village mode of production as the dominant production mode in the five countries of this survey (except where it has been partially transformed as in Aitutaki and Rarotonga) and the accompanying phenomenon of subsistence affluence of the villager, it is hardly surprising that agricultural output has stagnated or fallen in the last two decades.

#### 4.7 Evolution of the Mirab Economy

This report does however suggest one other line of argument - indeed an even more pervasive, more powerful set of factors - that explain agricultural stagnation or failure. With respect to the Cook Islands, Niue and to a lesser extent Tokelau, it is argued that the direction of economic evolution that has occurred over several decades has been to integrate the islands ever more closely into the economy of the New Zealand mainland. In this steady, inexorable process there have been substantial flows of capital, labour, skill and enterprise between the two component parts and within the changing economic environment, the promotion of autonomous separate development has become steadily more difficult. With the evolution of MIRAB societies, local agricultural development has had to take second place as greater priority was attached to the flow of aid moneys and remittances and the pole of economic growth has been seen ever more clearly as lying not in the islands but on the mainland of Australia or New Zealand.

Although the MIRAB economy is less well developed in some of the seven countries studied by SPAS, some of which are denied a migration outlet, SPAS has failed to identify the MIRAB economy at work, casting most of the blame on the mixed subsistence cash cropping system, together with transport problems and geographic difficulties of isolation and small size. Although the inadequacies of the village mode of production cannot be denied, it is worth noting that even under this system, much larger volumes of copra and bananas were produced per capita in the Cook Islands in the 1920s<sup>8</sup> compared to recent levels or larger exports of bananas in Western Samoa in the mid 1950s or of cacao in the early 1960s<sup>9</sup>. In 1950 boom conditions encouraged exceptionally high copra production in Tokelau (see p.217).

Thus it is not true to say that the system of organisation itself has always been an insuperable barrier, as occasional very high prices indicate. Indeed motivation (and probably the impact of other elements as well) appears to have waned within the village mode of production in recent years, probably as the influence of the MIRAB economy and of economic integration have become more pronounced.

#### 4.8 An Emerging “Smallholder Plantation” Mode?

If this line of argument can be accepted, do any policy suggestions follow? SPAS (1980) recommends that higher priority be given to promoting the plantation mode of production (which can include under a “plantation” or large scale system of management smallholders as in an estate run by a public corporation, such as WSTEC in Western Samoa, or in a nucleus estate, as well as group or joint ownership plantations). At least in a plantation mode labour can be directed to undertake the tasks required at every point in the production process. A high standard of management would be required and economies of scale depending on the crop, can often be achieved. Thus the problem of low motivation of individual producing households in the village mode of production can be avoided. Large production units are also recommended by Castle for the Cook Islands in SPAS (1980) in the hope of providing larger and more reliable production that could make it worthwhile to operate a fruit processing factory, as well as ensuring reasonable grower incomes. Ideally an “emerging smallholder plantation mode” as recommended by Ward and Proctor (SPAS 1980: 151) that could provide modern management to groups of smallholders in units of say 50 hectares would be a promising development in places like Rarotonga for fruit and vegetable production for the air freight market. However, the persistent and chronic land tenure problems - which successive Cook Islands Governments have regarded as insuperable - probably make this impracticable. Again the plantation mode aggregating small plots possessed by multiple owners, and managed like the better Maori Land Incorporations<sup>10</sup>, remains a possibility for the future. Provided the plantation can be shorn of its colonial origins and ownership and other benefits can be made available to smallholders, this mode offers more promise for the future of local production than the village mode of production.

#### 4.9 Interests of Government and Individuals are Different

With respect to agricultural policy we do however need to remind ourselves that the interests of governments and of individual households are usually quite different in the region. The former wish to expand agricultural exports, earn overseas exchange, produce more import substituting foods and improve the balance of payments. The latter are interested in agriculture primarily as a matter of security, or (in a MIRAB society) as discretionary income, if their main livelihood comes from aid financed public service jobs, remittances or both. And in open MIRAB economies the success of governments in carrying out an agreed “development” policy - even if the political will exists - is very slight indeed. There remains a big difference between development policy and the “development” process as it actually occurs in the islands.

## NOTES TO CHAPTER FOUR

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- <sup>1</sup> e.g. Sevele, "How Successful is small holding farming in the South Pacific Islands?" South Pacific Bulletin, First Quarter 1980, Noumea; and F. Sevele, "Constraints and Possible solutions to Agricultural Development in the South Pacific," paper presented to Fifteenth Pacific Service Congress, Dunedin 1983.
- <sup>2</sup> Interview with M Ormsby, March 1984.
- <sup>3</sup> e.g. Ratu Sir Kamasese Mara on the failure of Fijian cane farmers in the Seaqaqa cane scheme in 1983.
- <sup>4</sup> See M.A. Bathgate, I.L. Frazer and J.M. McKinnon, Socio Economic Change in Solomon Island Villages, Victoria University of Wellington Socio Economic survey of the Solomons, Wellington, 1973, for the Solomons; R.F. Watters and K. Banibati, Abemama, Atoll Economy: Social Change in Kiribati and Tuvalu, No 5, Development studies Centre, Australian National University, Canberra, 1984, and W.H. Geddes et al., Islands on the Line : Team Report, Atoll Economy : Social Change in Kiribati and Tuvalu, No 1, Development Studies Centre, Australian National University, Canberra 1982, for Kiribati and Tuvalu; Brian Lockwood, Samoan Village Economy, Oxford University Press, Melbourne 1971, for Western Samoa; and N.V. Lam, "A Note on the Nature and Extent of Subsistence Surplus in Papua New Guinea", Pacific Viewpoint, 23, 2 October 1982, 173-85, and references for Papua New Guinea.
- <sup>5</sup> The example is from Lockwood (1971).
- <sup>6</sup> We have amended their scheme slightly. E.K. Fisk and D. Honeybone, "Belshaw's Emergent Fijian Enterprise after Ten Years", in T. Scarlett Epstein and David H. Penny, Opportunity and Response, Hurst London, 1972.
- <sup>7</sup> Vaiao J. Ala'ilima, and Fay C. Ala'ilima, "Samoan Values and Economic Development", MS, International Development Institute, East West Centre Honolulu, 1964
- <sup>8</sup> R.G. Crocombe, Land Tenure in the Cook Islands, Oxford University Press, Melbourne 1964, pp 131-33
- <sup>9</sup> McKenzie (1983); Appendix 3.
- <sup>10</sup> e.g, see Evelyn Stokes, "Rural Settlement of Maori Land : the Role of Section 438 Trusts", in R.F. Watters (Ed), Geography and Development Policy, Proceedings of Eleventh New Zealand Geography Conference, August 1981, New Zealand Geographical Society, Wellington, 1982, pp 141-45; and P. Crawford, "Issues in the Development of Rural Maori Lands in the Taupo District" in Watters (1982): 139-141.



## CHAPTER FIVE

### DEVELOPMENT, DEPENDENCE AND VIABILITY

#### 5.1 Introduction

This chapter examines the underpinnings of economic policy in our five small Pacific communities, and of New Zealand's prescriptions for "economic development" and aid evaluation in those territories. The points made are not new ones - on the contrary, they are commonsense propositions which have been reiterated time and again by several generations of people familiar with the Islands. What is difficult is not the ideas themselves, but the fact that they run counter to several solidly entrenched preconceptions which still have an iron grip on the international community of aid donors, "development" consultants, and international agencies. Just as New Zealand, in designing political institutions for the era of decolonisation, felt bound to work within the limits of the international diplomatic consensus on decolonisation and nationhood (see Chapter 3) so in the area of economic policy New Zealand has paid consistent lip service to two propositions which are to be attacked in this paper, namely:

- 1) that economic analysis of the island territories must be confined to the geographically bounded units (in other words, economic analysis must conform to political demarcations rather than economic reality); and
- 2) that "economic development", understood to mean growth and diversification of GDP by the promotion of "viable" projects, is the correct objective for economic policy.

As hypotheses for investigation, both of the above propositions are unexceptionable. There is no doubt that over most of the so called "Third World", national economic analysis has proved fruitful, and the expansion of production has been a necessary precondition for the attainment of long run social, economic and political goals, so that "economic development" (as commonly interpreted by the international agencies) makes good sense as a policy target. The point to be made here is that neither of the propositions is a universal truth. Immense damage can be done by the unthinking, mechanistic application of fashionable dogmas to areas where they do not apply. The thesis of this chapter will be that the mini-economies of the Pacific are sufficiently different from the stereotype model of "developing countries" to render the customary international development doctrines redundant.

The outstanding features of these economies, on which our analysis will be based, are simply summarised, as follows:

- 1) They start from a position of subsistence affluence, with a floor on real income provided by the operation of an integrated, non-capitalist form of natural economy. This economy is based upon kin and household units, with production organised according to the "village mode" (see Chapter 4), and it incorporates within it control over the great bulk of productive resources. Land, thus, is bound up in neo-traditional forms of tenure; commercial agricultural production consists of the surplus generated to meet the cash needs of the village economy<sup>1</sup>, with the exception of a very few entrepreneurs who have secured access to

medium sized leasehold blocks. People resident in the islands nearly all retain their membership, based on descent, in functioning segments of the subsistent economy, so that no large "proletariat", separated from the means of production, exists as the basis for capitalist wage labour enterprises. Wage labour can indeed be recruited from the village economy, but does not thereby become separated from it. Population pressure on subsistence resources is low by "underdeveloped country" standards, with none of the environmental degradation associated with rural destitution in the continental "Third World". (Environmental damage in the Islands arises mainly from attempts to push commercial activity beyond prudent limits).

- 2) The non-capitalist family enterprises which dominate the economic structure are diversified on a transnational basis, mainly through the operation of the Pacific Basin labour market. Labour migration (both circular and permanent), with the associated remittances in cash and kind from one part of the family to another, render the small Pacific Island economies fully open, to a degree which is irreconcilable with any textbook model of "economic development" in a bounded national economy. The surplus labour on which mainstream models of dualist modernisation rely<sup>2</sup> simply is not found in the Cook Islands and Niue; their reserves of labour for recruitment into wage employment are a supplement to labour supply in the metropolitan economies (New Zealand, Australia, USA) rather than a low-wage labour supply for capitalist enterprise in the local economies. Local cash employment outside the village economy is primarily in skilled positions for civil servants. Only in those small island societies where out migration has been firmly curtailed by restrictions on access to the wider labour market (most notably Kiribati and Tuvalu) do current trends promise to throw up anything resembling a local reserve army of labour.
- 3) During the past three decades all five economies have moved from so-called "self sufficiency" to so-called "import dependence". What this means is that prior to the Second World War local consumption was limited by domestic product (that is, subsistence production plus export earnings), but since then consumption has progressively become more and more divorced from production. The cash economies of all five are now driven not by productive income but by rent. In the terminology of national income accounting, Gross National Product (on which disposable incomes and hence consumption spending rest) bears no relation to Gross Domestic Product. The "normal" incentives to drive a process of growth of GDP are therefore inoperative, since there is no clear linkage between production gains and welfare improvements for the local population. Indeed, under present policies there are two strong sets of disincentives to increasing commercially-oriented production: firstly the fact that increases in productive income tend to "drive out" rent income (since current aid donor policy is to reduce the level of financial support for Island economies which exhibit productive growth, and relatives send less remittances to kin who have jobs or incomes in the islands); and secondly that the prevailing relative-price regime renders onshore commercial productive activity in the islands unprofitable, and hence unattractive to private sector entrepreneurs. This is the normal state of affairs in rent led economies<sup>3</sup>.
- 4) Size, openness, the strength of the natural economy, and the relative-price situation, render the Islands an unsuitable seedbed for capitalism. The private



sector has long recognised this, and capitalist productive enterprise has remained confined to a very few specialised niches. (Examples are the clothing factories of Rarotonga, and Gary Cooper's ventures into coconut cream and footballs in Niue - all reliant upon female labour, often part-time, drawn from within the local village economy). The promotion of large-scale commercial ventures is now undertaken by bureaucrats in pursuit of political or social targets - not by capitalists in quest of profits<sup>4</sup>. Where administrators have succeeded in persuading capitalist firms to participate, the resulting economic activities have relied for their profitability upon high levels of government subsidy and intervention, and have failed when official support was not sustained. (The Greggs citrus processing venture in Rarotonga is the best known case; the history of attempts to run the Tokelau trading venture through WSTEC and Burns Philp is another; the Grico pineapple cannery on Mangaia currently promises to reproduce familiar patterns).

- 5) None of the above should be read as suggesting in any way that Island peoples are unresponsive to economic opportunities; the contrary is the case. Economic agents in the Islands exhibit quite extraordinary flexibility, adaptability and responsiveness in adjusting to changes in their economic environment. Copra producers respond immediately to changes in the realised price for copra (including both changes in world prices, and changes in the terms of local payments such as the recent move in the Northern Cook Islands from deferred payment to cash on delivery). Local people with skills scan the Pacific wide horizon of the labour market for attractive employment opportunities, and transnational family operations facilitate such search activity. Well-funded government schemes for the promotion of new activities attract widespread interest so long as the funding continues; witness the 1950s-1960s Citrus Replanting Scheme in the Cook Islands, or the 1970s promotion of passionfruit in Niue. Images of cultural backwardness, which so often infect popular thinking about non-capitalist economic systems, are utterly inapplicable. On the contrary, the Islander as an economic agent is close to the Renaissance ideal of the "universal man", accustomed to performing a wide range of social, economic and cultural roles, and consequently adaptable. In economies where local conditions impose rapidly diminishing returns to specialisation and division of labour, the multi-role individual thrives.

## 5.2 Goals of Policy

In this economic and social environment, what long-run goals should give direction to economic policy? This question cannot satisfactorily be answered by simplistic and unspecific appeals to the idea of "economic development", because this is nowadays an incoherent and ambiguous concept. It was not always so, and a little intellectual history may be in order here before we turn to policy specifics. In the 1950s and early 1960s a strong body of thought emerged to which the label "modernisation theory" is usually applied. The classic reference in the literature is Rostow's 1960 book, "The Stages of Economic Growth". The modernisation paradigm envisaged economic development as part of a general historical process of moving from "traditional society" to "modern society", the presumption being that history is unidirectional (i.e. that "progress" is the direction in which all human societies are to move through time) and that the "modern"

package of institutions and technologies would by its clear superiority, progressively replace the "traditional" package, to the benefit of the peoples concerned.

While the standard presentation of the modernisation model involved the reproduction of Western Europe and North America's experience with the Industrial Revolution and the rise of capitalism, it must be emphasised that the same overall vision informed most Marxist-based analyses of economic progress; Lenin's "electrification plus the soviets" and Stalin's Five Year Plans are as fundamentally part of the modernisation view as Kennedy's Alliance for Progress or the United Nations' First Development Decade. The shared core was the idea of development towards "modernity" as the installation of a package of innovations, which were assumed to be mutually compatible and mutually reinforcing (as seemed to have been the case in the history of Europe or the USA). It was this approach which made modernisation theory so immediately useful as a tool of operational policy making: it offered direct prescriptions for a process of social engineering in the "underdeveloped world", and it promised at the end of the day a world-wide reproduction of the modern western civilisation which was assumed to represent the desirable goal for all human communities.

Of the various policy preconceptions embedded in modernisation theory, two are of greatest relevance for our discussion here. The first is the view that where "traditional" and "modern" come into conflict, the former must yield (or be swept aside) in the long run interests of society at large. The second is the belief that "progress" is unequivocal - for example, that an increase in production is a good thing, because it advances the society concerned towards modernity without producing any countervailing retrogression on other fronts.

The recent academic dissatisfaction with modernisation models stems largely from a loss of faith in these two beliefs. There has been growing academic respect for the virtues of many aspects of "traditional" society. In consequence, where the achievement of other "goods" such as economic growth or political modernisation threatens the survival of valued institutions or practices, it is no longer so easy to assert that in the long run society will be better off. At the same time, growing experience with development planning and increasing knowledge about development processes has made clear the multi-dimensional nature of social and economic evolution. In numerous countries, an obvious correlation between capitalist economic growth and worsening income inequalities caused crises of conscience for development economists<sup>5</sup>. In others, the failure of economic growth to promote democratic political modernisation on the US model attracted criticism.

It cannot, however, be said that the burgeoning of critical writing about modernisation has yet yielded any replacement for modernisation theory as a universal rule of thumb for policy formation. "Dependency theory", probably the best known of the critical schools, starts from the observed failure of the "modernisation" claim that the various aspects of

"development" are complementary rather than antagonistic. In the dependency view, a two region model of the world economy (core and periphery) distinguishes between those parts of the world where the rise of capitalism and the advance of productivity have led to the outcome predicted in modernisation theory (the "core countries"); and those where the same processes have had malignant or equivocal effects (the "periphery"). To be located in the periphery is to be subject to different economic "laws" than those which apply at the centre. The analysis may be pursued in

international terms, or in terms of class conflict on a world scale, or via "articulation of modes of production"; all yield interesting research hypotheses, and all provide good grounds for abandoning the universal prescriptions of modernisation theory. Apart from the explicitly revolutionary versions, however, these writings do not provide clear, sweeping answers to the question: what is to be done?

The only operational prescriptions of dependency models seem to be bismarckian nationalism or revolutionary activism. The lesson appears to be that abandoning the universal prescriptions offered by the modernisation view will not open the way for any new universal set of rules of thumb for policy. The challenge is to find appropriate policies for particular cases.

The first step in such a process is to break down the modernisation package into component parts, each of which embodies one dimension of "human progress" or "social welfare". One possible such tabulation is presented in Figure 1, and will be used as the framework for our discussion of economic policies for small Pacific societies. We list there six possible dimensions of "progress" against which the achievements of policy may be assessed. The ideal-type modernisation model presumes that advance on all six fronts is possible without internal conflicts - at least in the medium to long run. (Obviously in the short run there could arise temporary frictions or dislocations; the modernisation view is that these will be overcome sufficiently rapidly to be acceptable). The three other columns indicate other possible combinations of social and economic change which might well be encountered in the real world. Set (1) corresponds to a situation where increased commodity production and the generation of economic surplus has been achieved, but at the cost of lowered living standards, political retrogression, social disintegration, and environmental degradation. The model is familiar from critiques of the early Soviet Five Year Plans of the 1930s, and from "dependency" critiques of capitalist economic growth under highly exploitative conditions on the "periphery". Its relevance at this stage is to make the point that one should not take for granted any correlation between economic growth per se, and improvements in human welfare: there is no a priori reason for such a correlation.

Set (2) emphasises that neither is there any a priori reason to suppose that the impact of economic growth will be altogether negative. In the situation portrayed, growth has been accompanied by improved material living standards and political advance, but at the expense of social cohesion and the environment. Critiques of growth along these lines are familiar from the evaluation of major projects in advanced countries.

Set (3) brings us to the central point in the case of the Island mini-economies: that substantial advances in social welfare, political organisation, and material living standards can be achieved in the absence of "economic growth". As we shall see shortly, this is the essence of the New Zealand achievement in its former dependent territories, and extends also to the experience of Tuvalu. The process charted here can be described as "colonisation by the welfare state", and is the outcome of a particular set of paternalist (or better, fraternalist) policies applied to small societies with very limited resource bases. So long as the social contract under which the result was achieved continues to hold, the economic system is stable, viable, and sustainable (to use three of the fashionable "buzz words" of the moment). Abrogation of the social contract, implying a sharp drop in disposable incomes in the Islands, could turn many of the pluses into minuses within a short space of time as local economies declined and out migration picked up. The maintenance of such an economic position, in other words,

rests permanently upon a conscious policy commitment. In Tuvalu, where the United Kingdom has unilaterally declared the likelihood of a phasing out of budgetary support, the strain has to date been taken on living standards; political and social cohesion have held up. This result, however, has been possible only because the option of out migration has not been open to Tuvaluans, since they lack automatic access to any metropolitan economy. A New Zealand withdrawal of financial support from one of its associated territories would be likely to have an immediate and massive impact via migration.

**FIGURE 5.1**  
**A Sample Checklist for "Development" Policies**

| Policy Objectives                             | "Modernisation<br>" | Other Real-World Possibilities |     |     |
|-----------------------------------------------|---------------------|--------------------------------|-----|-----|
|                                               | process             | (1)                            | (2) | (3) |
| Material consumption/<br>standard of living   | +                   | -                              | +   | +   |
| Commodity production/<br>surplus generation   | +                   | +                              | +   | -   |
| Political and bureaucratic<br>"modernisation" | +                   | -                              | +   | +   |
| Social cohesion                               | +                   | -                              | -   | +   |
| Diversification of economy                    | +                   | -                              | +   | +   |
| Environmental protection or<br>enhancement    | +                   | -                              | -   | +   |

Policy makers influenced by the "modernisation" perspective would be prone to look at Set (3) and assume that full modernisation could be achieved simply by initiating a growth of commodity production - that is, they would tend to assume that commercial investment projects could be established in the Island setting without undermining the gains on other fronts. The critic of modernisation models would raise the possibility that the insertion of a "+" in the commodity production row would imply a movement not to full modernisation, but to the situation represented by "Real World" Set (2) or even Set (1). That is, the promotion of commercial commodity production may be subversive of living standards and political and social order.

The argument advanced below tends to support this point of view. The conspicuous "failure" of commodity production in the small Island context, we suggest, is an intrinsic part of the working of the economic and social mechanism which has delivered so conspicuously on the other targets. The visitor to Rarotonga or Niue is immediately struck by the extremely high standard of social infrastructure and services, and by the general quality of life of the local population. These are societies where local onshore production has remained almost static over the long run (e.g. see Chapter 6), but where conditions of life have improved by a quantum leap in the past three decades, thanks to close economic and social integration with the New Zealand economy, and the benefits of the "special relationship". These are not, in fact, societies where the word "underdeveloped" makes much sense. They are satellite extensions of one of the affluent Pacific Rim economies, and their clear economic and social interests lie in the maintenance of that basic integration. In such a context the indiscriminate promotion of

large scale commodity production in the name of "development" is likely to prove subversive rather than beneficial.

The likelihood of severe "backwash effects" from any programme of growth promotion in the Islands is increased by the observable absence of profitable investment opportunities. Market forces clearly militate against successful capitalist type projects, and policies aiming to promote such projects are therefore working "against the wind". Under these circumstances the likelihood of distortions and backwash from policy intervention is increased.

Before turning to the statistical record, two points should be made as qualification or elaboration of the above line of argument. The first is that we are not arguing against the encouragement of all commercial activities. On the contrary - where chances exist for local people to enhance their situation by participating in commodity markets for local products, this is to be welcomed. This will be particularly true where the opportunity is for participants in the village mode of production to earn additional disposable income from their family enterprise, so that commercial expansion reinforces rather than undermines the local social system. The growing of wet taro in the village mode of production for local sale in Avarua is an example. The key point here is that increased commodity production is pursued not as a policy goal in itself, but because it contributes to other, primarily social, policy goals. This is in line with the original perception from which New Zealand policy began in the 1950s<sup>6</sup>, but which becomes regularly buried in developmentalist dogmas; namely that once "self sufficiency" is admitted to be unattainable on any realistic basis, the true object of policies for economic growth must be social rather than economic - related to morale and cohesion within the local society, rather than towards the generation of increased economic surplus from onshore activities.

The second point that should be made here (and which will be taken up in more detail below) is that we do not agree with the application to Island mini-economies of dogmatic condemnations of so called "dependency". We shall argue that what many people call "dependence" is a positive rather than a negative feature of these societies, and that policy prescriptions based upon the supposed goal of "reducing dependence" are misplaced. The standard formulations of "dependency" textbooks are as inapplicable in the Pacific as are those of the modernisation school; in analysing the political economy of the small Island societies, one has to start from scratch, and not from continental "Third World" models. One contributory reason for this is the nationalist fallacy of assuming that Island societies are bounded geographic national entities, rather than organic parts of a wider economic system from which on balance they derive substantial benefits. (The nationalist argument against "dependence" has always, after all, been the ad hoc one that the "nation" is worse off in some meaningful sense as a result of its economic linkages, and that abandoning or modifying those linkages is the key to improvement).

### 5.3 Import Affluence and the "Jaws Effect"

We turn now to a survey of the major economic trends in the five Island societies covered by this study. Long-run data series are presented on "overseas trade" and government finance; on the basis of these data, we discuss similarities and differences among our five case study economies, and identify the key historical turning points.

It is striking that the quality of the published statistical record for small Pacific economies has deteriorated markedly in the last decade or so, as the regular reporting practices of the old style colonial administrators gave way to the political (as distinct from economic) priorities of the emerging national elites and the new generation of New Zealand, Australian and British officials<sup>7</sup>.

Despite this deterioration, the quantity and quality of statistical material available from primary sources is still considerably greater than is often supposed. The impression of a total lack (or total unreliability), of data arises largely from the glaring inadequacy of the information assembled and published by multinational agencies such as the South Pacific Commission, the Asian Development Bank, the United Nations and the Commonwealth Secretariat. The statistical coverage of small Pacific economies by all these agencies is quite unsatisfactory, and we have found it necessary to go back to primary sources to obtain figures in which we could have any confidence. (As a case in point, Asian Development Bank figures for government expenditure in the Cook Islands appear to be overstated by nearly 50%).

Data on export and import values, deflated to constant dollar terms, are presented graphically in Figures 5.2 5.6. All our "countries" exhibit large commodity trade deficits in the early 1980s; the proportional size of this trade gap varies from 77% of imports for Kiribati 1980-83 up to 96% for Tuvalu 1979-82. The real interest of our graphs is to show for each country the period during which this pattern of heavy commodity trade deficits emerged. If we view imports as a proxy for "luxury consumption" and exports as a proxy for surplus production, it can be seen that in the first half of the twentieth century the normal situation for Pacific Island economies was one of equality between the two. Following the Second World War, however, one after another of our "countries" moved through a transitional phase into what seems to be a new steady state of consumption greatly in excess of production. First to pass clearly through this transition was Niue, where the gap began to open in the mid 1940s and where the transition to high "unproductive consumption" was complete by the late 1950s. Next came the Cook Islands, where, however, the rapid rise in consumption levels during the 1950s was nearly matched by an impressive growth rate of export production, so that the final transition to "import leadership" did not occur until the end of the 1960s or early 1970s. Third came Tokelau, where commodity trade was still in balance in the early 1960s<sup>8</sup>, but moved dramatically into deficit during the years 1966-75 before settling at the steady state level which has persisted through the last decade. Next came Tuvalu, whose separation from the profitable Gilbert and Ellice Islands colony in 1976 created overnight an import led economy. Finally came Kiribati, which ran a steady export surplus until the exhaustion of Ocean Island phosphates in 1979 plunged the economy abruptly into deficit.

The transition from commodity trade balance to trade "deficit" thus did not occur at the same time throughout the region. Different islands reached the transition phase at different times over the past four decades, and only in Niue and the Cook Islands has the post-transition steady state been in existence for more than a decade. Furthermore, the precise mechanism of transition varied from case to case. In Niue, Tokelau and Tuvalu the deficit arose from the superimposition of rapidly increasing standards of material consumption on top of a static production system; in none of these did export production ever look likely to support the newly attained material consumption standards. Quite simply, the resource base in these countries was inadequate to permit major expansion of the economic surplus.

FIGURE 5.2  
 COOK ISLANDS IMPORTS AND EXPORTS, 1892-1983  
 DEFLATED TO 1982 NZ DOLLARS

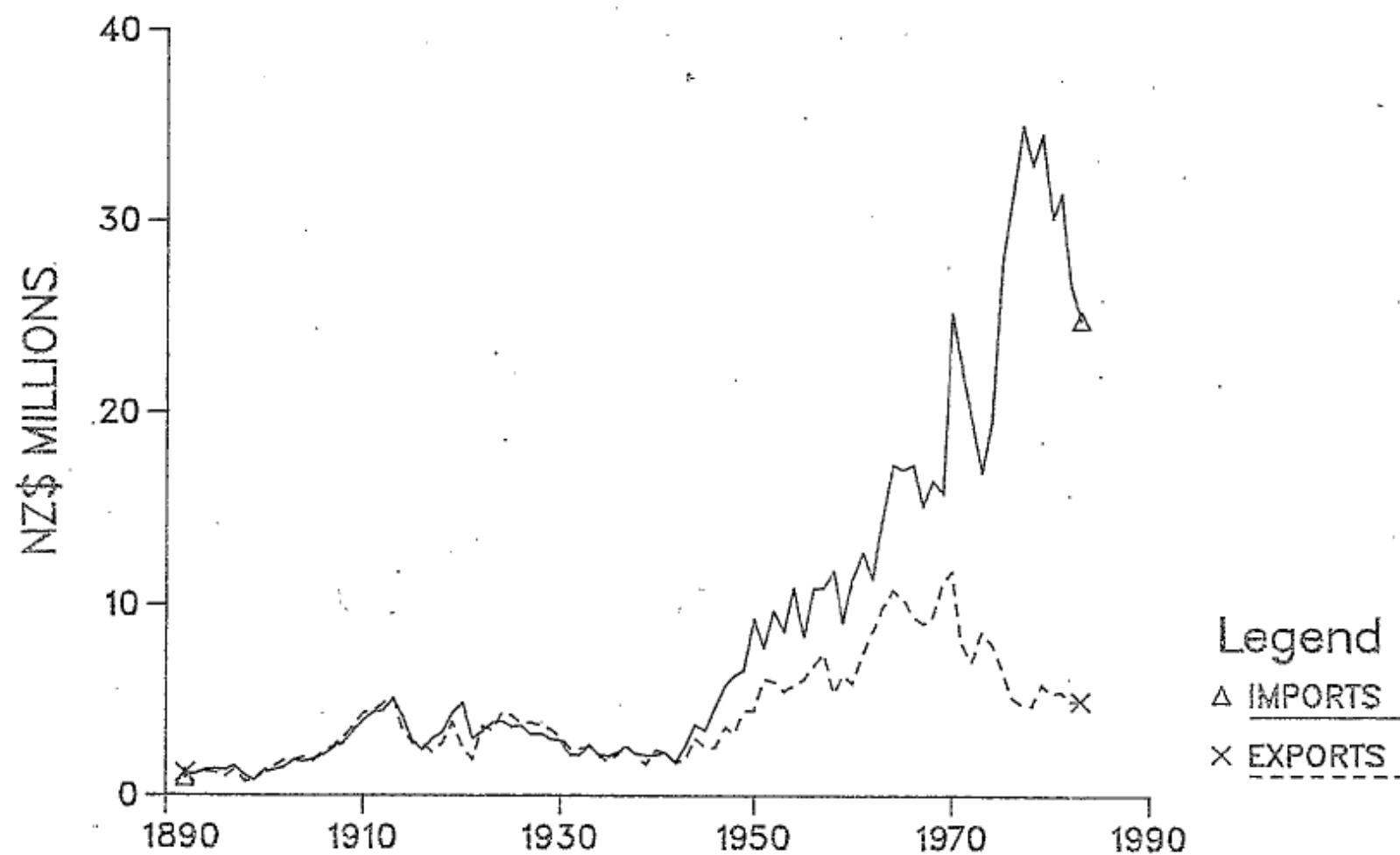


FIGURE 5.3  
KIRIBATI: IMPORTS AND EXPORTS 1923-1983  
DEFLATED TO 1982 AUSTRALIAN DOLLARS





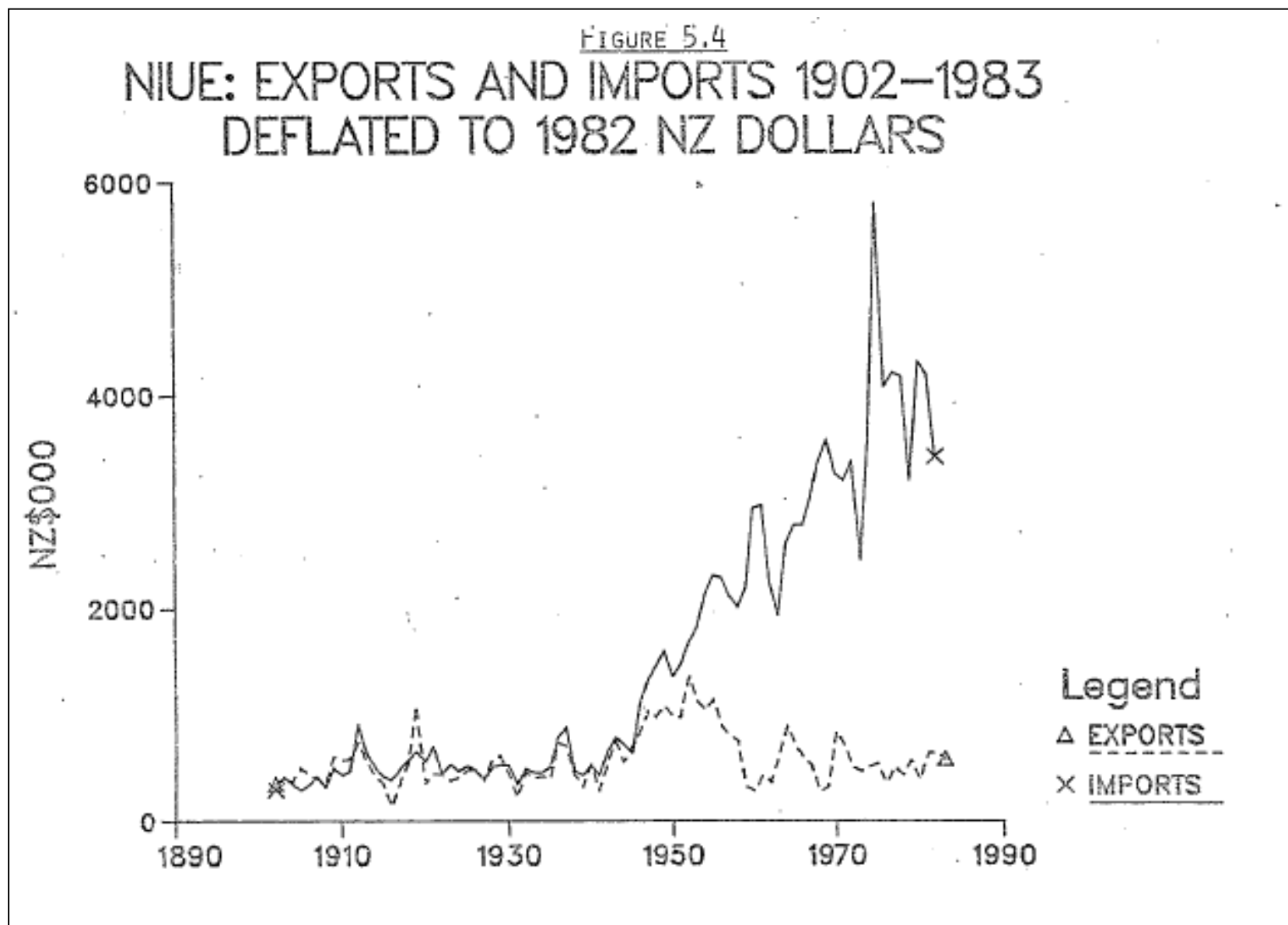


FIGURE 5.5  
 TOKELAU: EXPORTS AND STORE-GOOD IMPORTS, 1926-1983  
 DEFLATED TO 1982 NEW ZEALAND DOLLARS

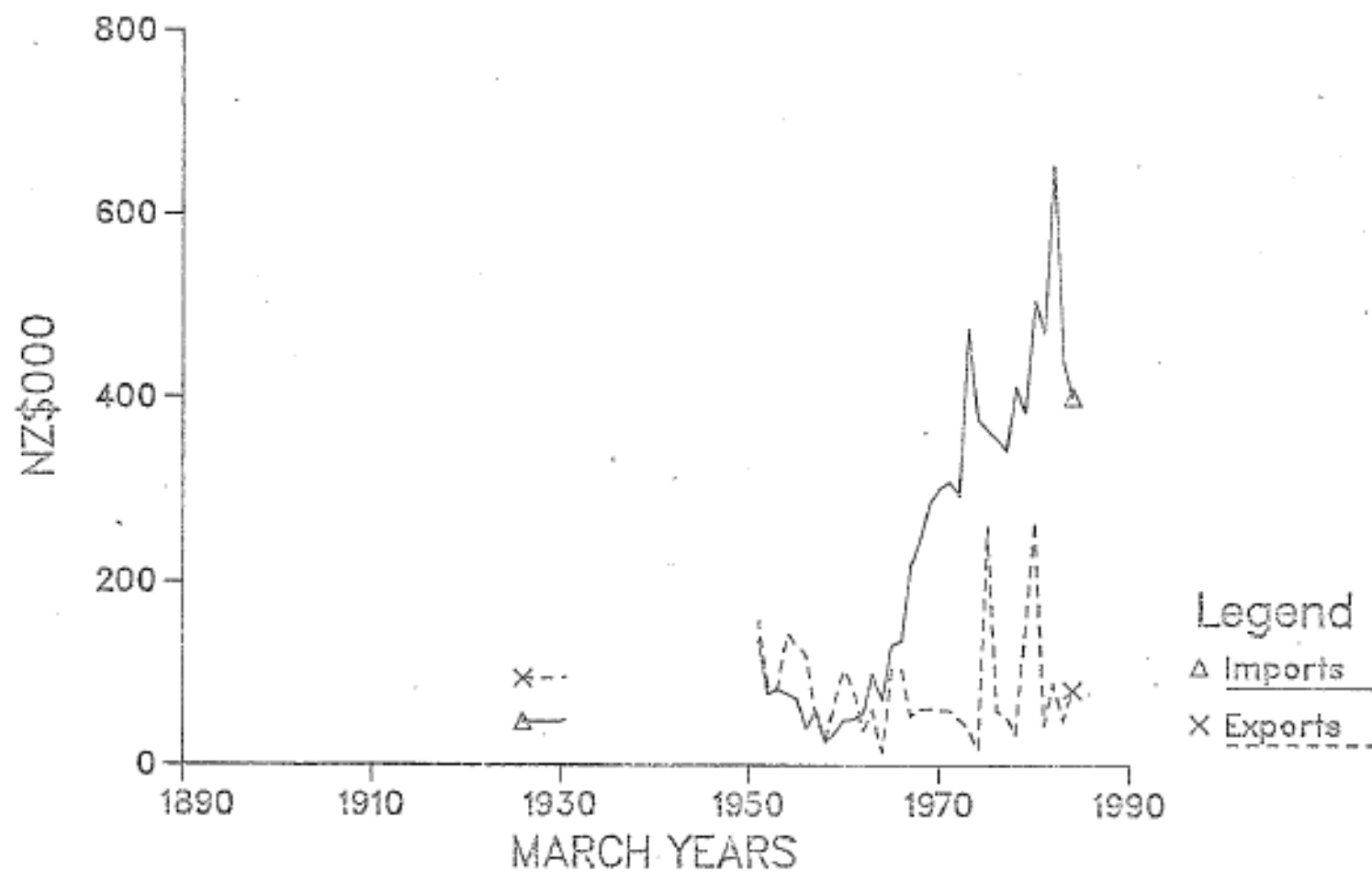
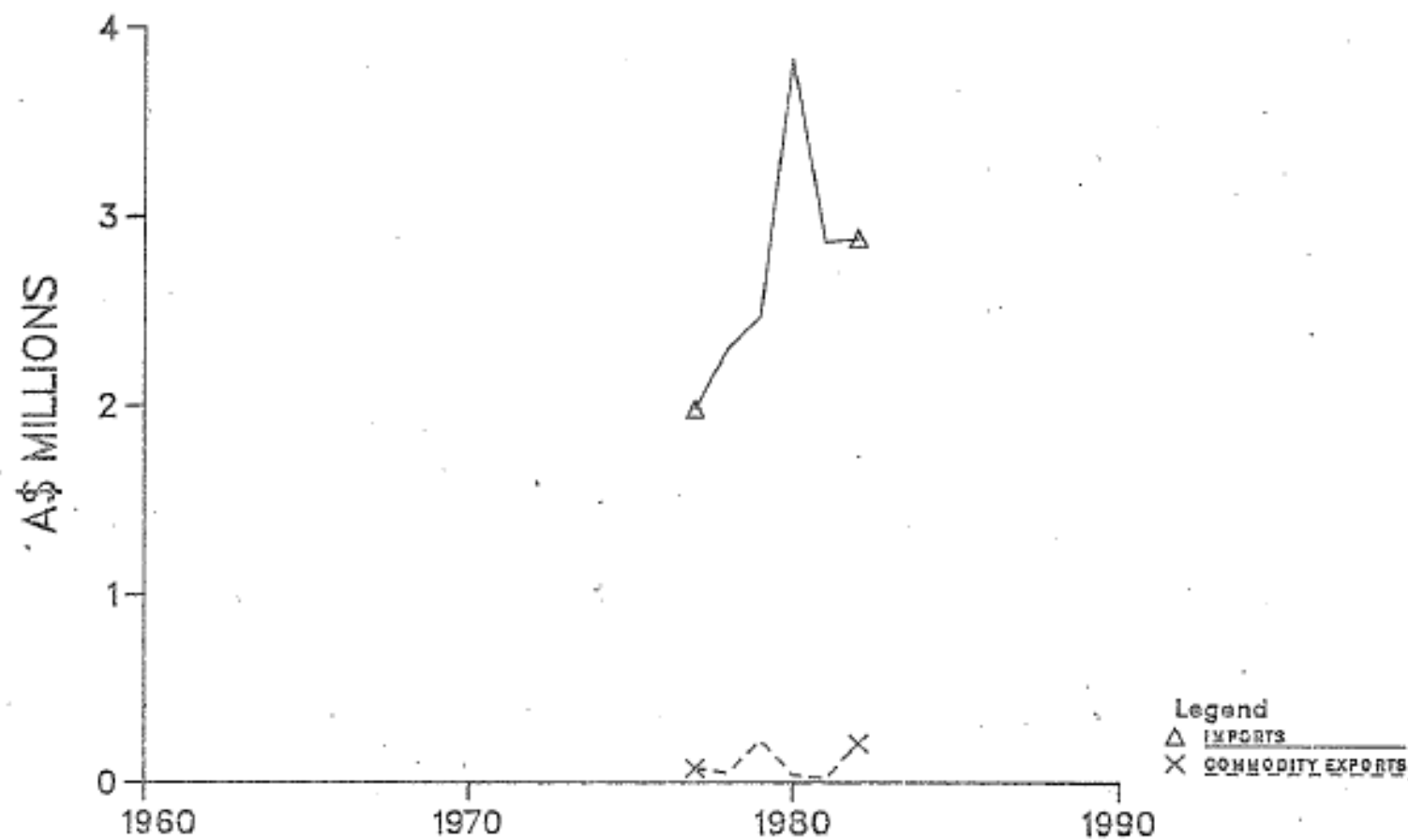


FIGURE 5.6.  
TUVALU EXPORTS AND IMPORTS 1977-1982  
DEFLATED TO 1982 AUSTRALIAN DOLLARS



In the Cook Islands, as already noted, it was possible during the period from the 1940s to the 1960s to entertain the possibility that rising production might be able to underpin the new consumption levels, but this possibility evaporated during the 1970s as production sagged (for reasons discussed below<sup>9</sup>) while consumption levels continued to soar.

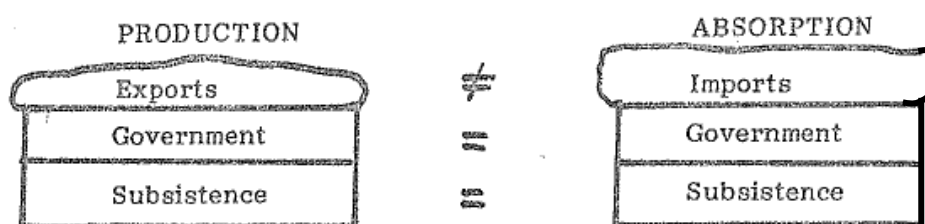
In analysing the pictures shown by Figures 5.2-5.6, it is important to emphasise two key points: first, that it is completely inappropriate to read the increasing deficits on commodity trade as revealing any emerging "crisis"; and second, that the commodity trade figures are the tip of an iceberg, many of whose most important features are submerged and therefore out of sight in our diagrams.

#### 5.4 The "Widening of the Jaws" Effect

The first point is the hardest for most New Zealanders to grasp: there is no crisis of trade dependence in the islands. New Zealanders have become so accustomed to live in fear of trade deficits and current account deficits, that it seems to require a real effort of will to recognise that there is nothing magical or necessarily "good" about equality between commodity exports and commodity imports. In New Zealand, the problem with trade deficits is that they (a) arise from internally generated stimulus to aggregate demand, and (b) therefore have to be paid for by overseas borrowing, since New Zealand is an aid giving rather than an aid receiving society. In our small island societies, in sharp contrast, there are no fiscal or monetary policies in the hands of local governments, and there is therefore no means of generating excess effective demand internally. All of the disposable cash income which is spent on imported commodities in the Islands is derived from "foreign exchange" injections to the local economy<sup>10</sup>. The widening of the "jaws" in most of our diagrams is driven not by fiscal expansion validated by overseas borrowing (the bane of so many "Third World" economies), but by a growing wedge of invisible current-account inflows on the balance of payments. The balance of payments in four of our five case studies was in equilibrium, without major foreign borrowing, throughout the transition process. Only in Kiribati did the "jaws" open the other way - by an abrupt collapse of phosphate exports which left established consumption expectations unsupported by incomes, so that a balance of payments crisis might have ensued but for a sharp increase in aid and remittance flows.

The implication which follows from the preceding paragraph is also evidently not widely understood. With "excess imports" fully financed by flows of invisible payments - financial aid, remittances, tourism, philatelic revenues and so on - increases in commodity export earnings will have no effect whatever on the size of the "trade deficit" unless exports "crowd out" some category of invisible earnings. Otherwise, every dollar of additional export income flows through to finance an extra dollar of imports. Starting from the situation of 1984, commodity export earnings can never "catch up" with imports unless aid, remittances and tourism disappear. When policy-makers in New Zealand and the Islands talk of "increasing self-sufficiency", by which they appear to mean reducing the trade deficit, they are talking about removing one or more of the props of the existing import affluence of the Island peoples. From a social-cost-benefit point of view, it is extraordinary that Island policy makers should contemplate committing substantial investment resources to projects whose intended payoff for the local population is zero. It is not easy to argue for increasing Island commodity exports, in the teeth of hostile market forces, purely to reduce the New Zealand Government's deficit by cutting the aid vote. This, however, appears to be the central plank in much aid policy design in recent years.

The second point, the relationship between the trade data of Figures 5.2-5.6 and the rest of the economy, involves us in some primitive national- income accounting. Total gross domestic production in any country consists of goods and services produced for home absorption<sup>11</sup>, plus tradeable production for export. Total absorption of goods and services in the community ("gross national expenditure" in the SNA accounts framework) consists of purchases of that part of home production destined for home absorption, plus tradeable goods imported from abroad. If we think of the economy as a layer cake with icing, then exports can be thought of as the icing on the production cake, and imports as the icing on the consumption (or absorption) cake:



Our diagram shows three sectors of economic activity: subsistence production and consumption (with production, by definition, equal to consumption); government services (where again production and absorption are equal by definition); and foreign trade, where exports would be equal to imports only if there existed no inflows or outflows of "invisible" payments. Our graphs of foreign trade trace over time the growing gap between exports and imports, thus revealing the growing importance of the wedge of invisible payments which force open the "jaws". What is missing from those graphs is the layer cake which underlies the "surplus" production and absorption associated with foreign trade. In order to construct a complete picture of the historical trajectories of our five economies, we would need to add information about the magnitude and trends of the subsistence and government sectors. For the subsistence sector, this would involve a substantial amount of literature searching and some adventurous extrapolation; for the government sector, it would require disaggregation of annual budgeted expenditures between imports (which would have to be netted out) and local-economy expenditures. Pressure of time, and lack of resources, have prevented us from conducting this exercise in the context of the present study. The impression is gained from various sources that over the last few decades there may have been some decline in the volume of output and consumption of subsistence sector goods in all our economies, but especially in the Cook Islands and Niue, due largely to the effect of import competition in food, housing and apparel. Casual observation suggests, however, that the subsistence sectors remain strong in all five of our cases (in sharp contrast to the situation in, for example, Nauru or the Society Islands, where imports have almost entirely displaced home production).

At the same time there has occurred a substantial expansion of the government sectors in all five, with a rising share of expenditure on local economy salaries and wages as jobs have been transferred from expatriates to locals. While we have not disaggregated the figures, we have constructed graphs of government revenues and expenditures, deflated to 1982 dollars, which are reproduced as Figures 5.7-5.11. In all cases the sharp expansion of real government expenditure in recent decades is evident, as is the dependence of the government sector on non-local sources of revenue, mainly financial grants from New Zealand (Niue, Cook Islands and Tokelau) and the UK (Tuvalu and Kiribati).

FIGURE 5.7  
 COOK ISLANDS: GOVERNMENT EXPENDITURE AND REVENUE, 1927-1982  
 DEFLATED TO 1982 NZ DOLLARS

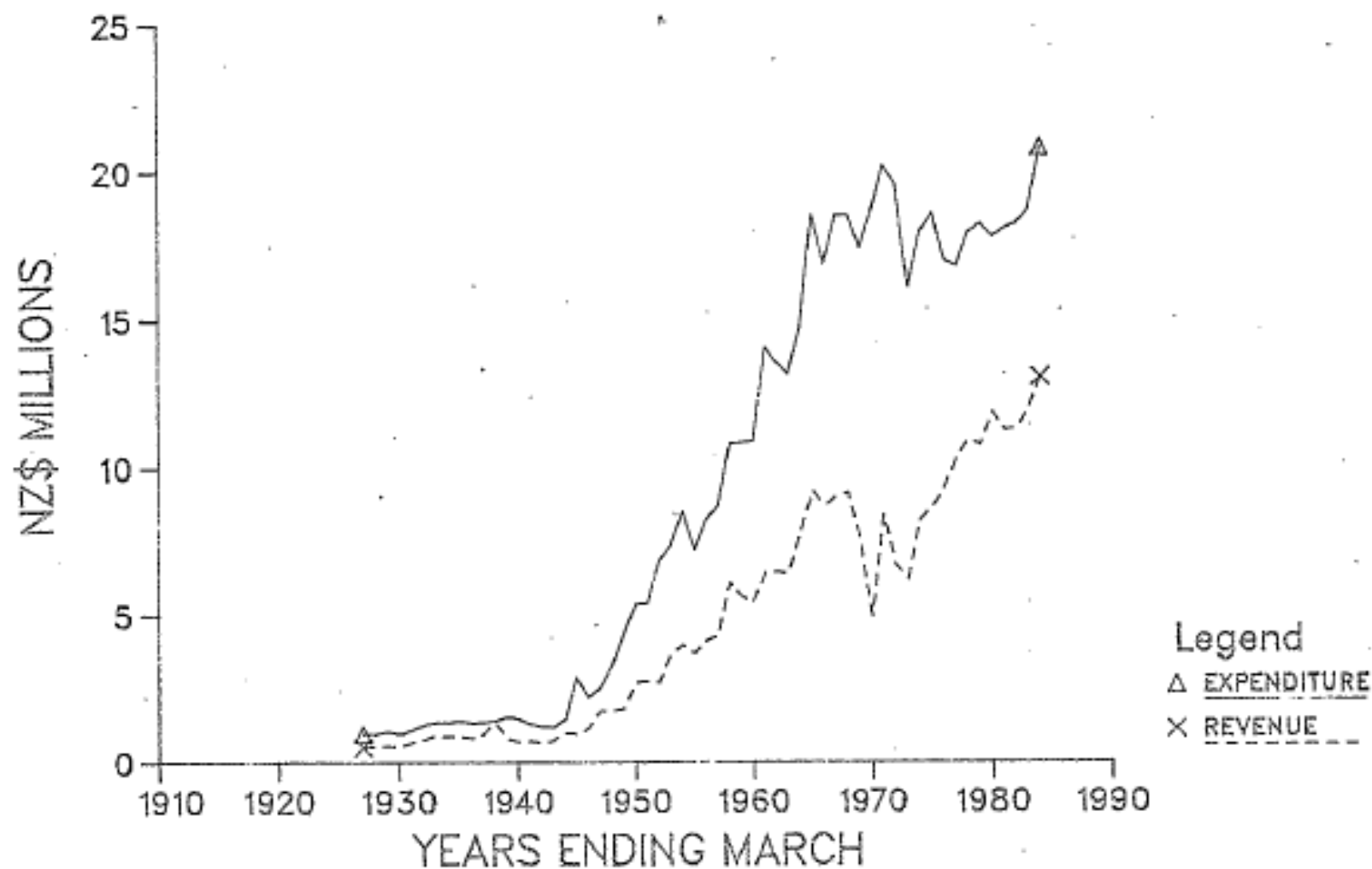


FIGURE 5.8  
KIRIBATI: GOVERNMENT EXPENDITURE AND REVENUE, 1923-1983  
DEFLATED TO 1982 AUSTRALIAN DOLLARS

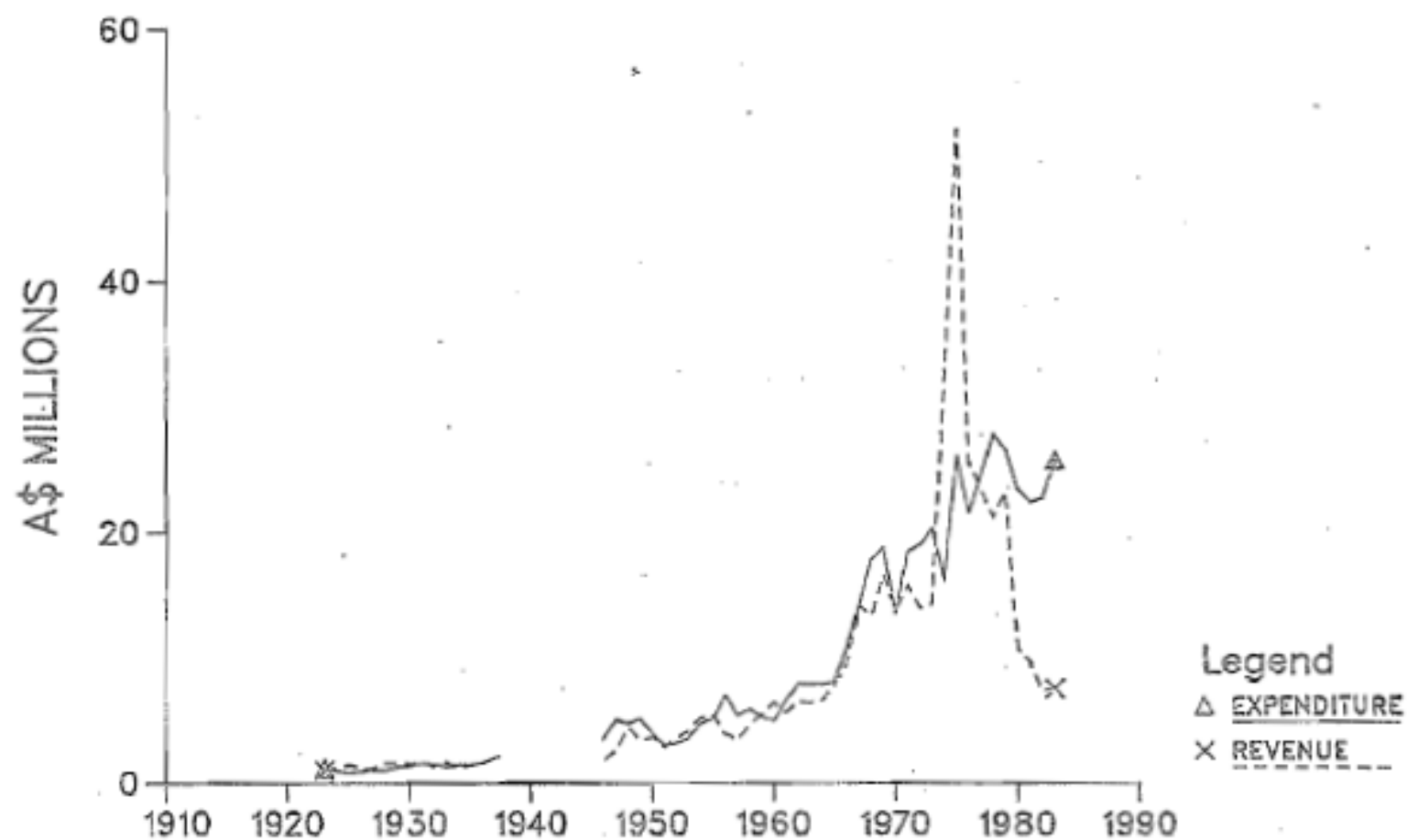


FIGURE 5.9  
NIUE: GOVERNMENT EXPENDITURE AND REVENUE, 1903-1981  
DEFLATED TO 1982 NZ DOLLARS

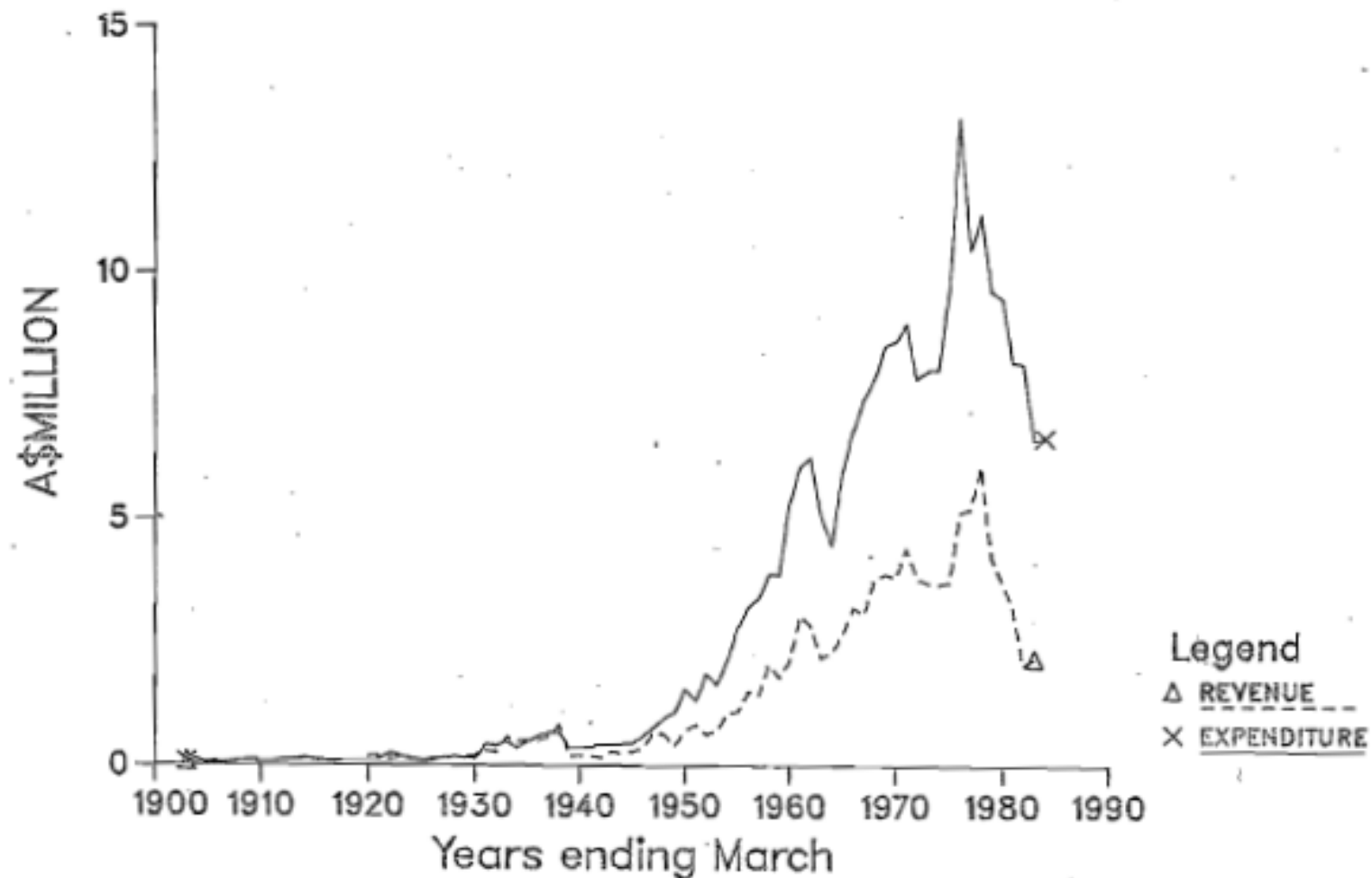




FIGURE 5.10  
 TOKELAU: GOVERNMENT EXPENDITURE AND REVENUE 1950-1983  
 DEFLATED TO 1982 NZ DOLLARS

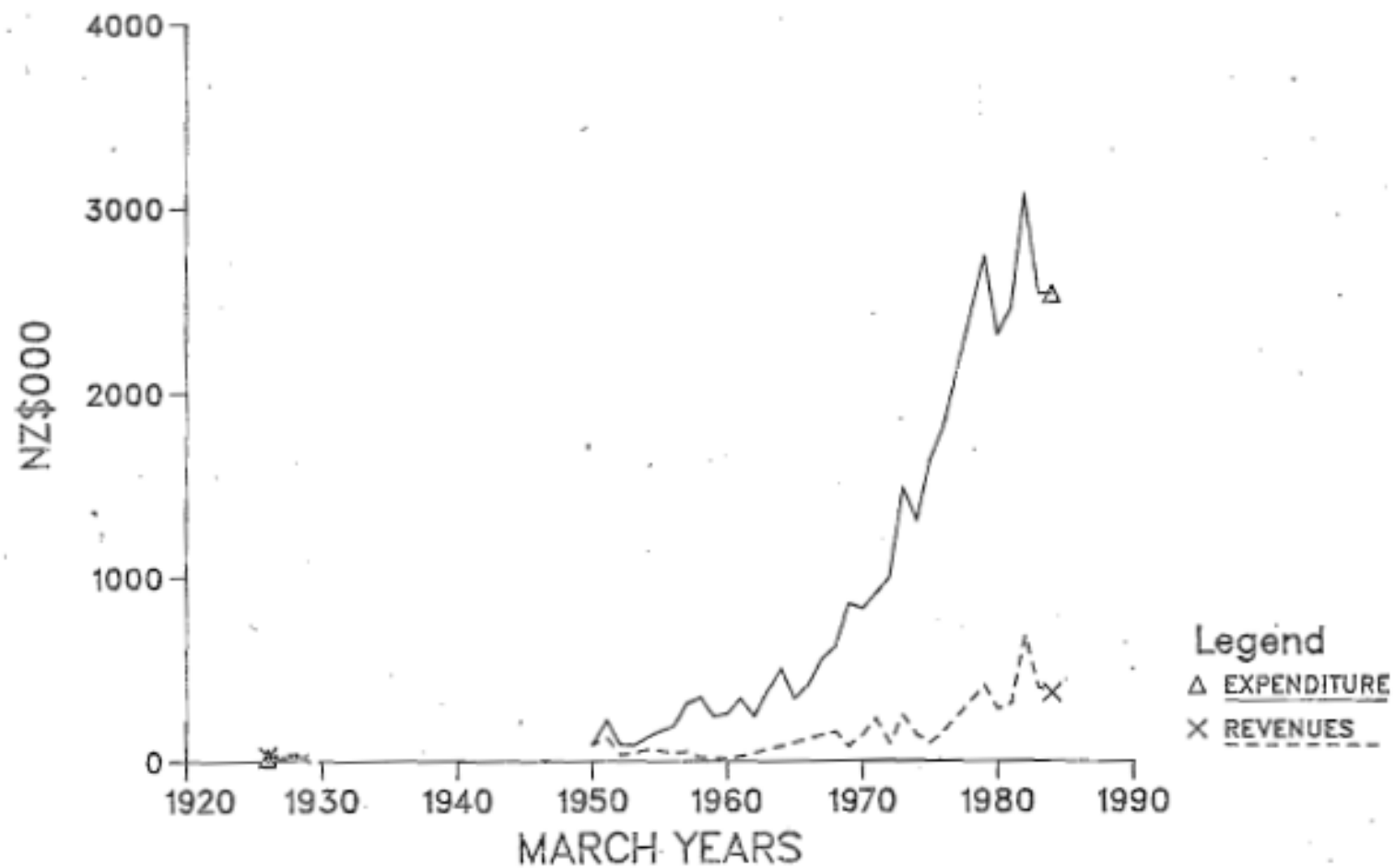


FIGURE 5.11

TUVALU: REVENUE AND EXPENDITURE 1976-1981  
DEFLATED TO 1982 AUSTRALIAN DOLLARS



Note: Pre-1980 expenditure data of doubtful reliability.

## 5.5 Differences in the Five Economies

Having emphasised the similarities among our five economies, it is worth focussing on some comparative data to emphasise the differences. To begin with, it is clear that the level of surplus production from the neo-traditional economy, as reflected by export earnings, is dramatically greater from the "high island" economies of Niue<sup>12</sup> and the Cook Islands than from the pure atoll economies of Tokelau, Tuvalu and post-1979 Kiribati. This is brought out by the per-capita export data presented in Table 5.1. It is also evident that, starting from their greater productive base, the first two have remained consistently ahead of the rest in terms of import consumption, with Cook Island imports having reached \$1,400 per capita by 1982/83 compared to less than \$400 per capita in the three atoll societies. In all five cases, the early 1980s have been a period of stagnation or decline in levels of import consumption, reflecting the end of the "boom phase" of the transition to import led economies, and the Pacific-wide impact of world recession.

The greater import absorption in Niue and the Cook Islands reflects substantial differences in "style of life" in the larger islands as against the small atoll societies. Roads, motor vehicles, and space for extensive recreational activities generate more import "needs" than occur on atolls. As, however, the monetisation of atoll society proceeds (which seems inevitable on present trends) it can be anticipated that unsatisfied demands for more imports will increase, with consequent pressure on local governments to secure the financing to permit those imports. The sadly familiar "debt syndrome" then becomes a definite prospect for the future in Tuvalu and Kiribati unless offshore sources of funding are located which do not involve the creation of overseas debt. Of various possible means of generating a greater flow of funds to pay for imports, the least attractive is the promotion of uneconomic onshore ventures to produce commodity exports (in other words, the normal "development aid project"). Of much greater interest for the future are philatelic type sources of rent ("hiring out" the distinct local identity to a world market); access to offshore labour markets for migrants, with associated freedom to transfer remittances (this is a major issue for Tuvalu and Kiribati); and increased levels of direct consumption subsidies from the donor economies of the region.

TABLE 5.1

## TRADE DATA IN 1982 CONSTANT DOLLARS

| YEAR               | COOK<br>ISLANDS<br>\$NZ | NIUE<br>\$NZ | TOKELAU<br>\$NZ | TUVALU<br>\$A | KIRIBATI<br>\$A |
|--------------------|-------------------------|--------------|-----------------|---------------|-----------------|
| Per Capita Imports |                         |              |                 |               |                 |
| 1950               | 629                     | 301          | 87              | ...           | 174             |
| 1960               | 618                     | 604          | 26              | ...           | 184             |
| 1970               | 1,121                   | 655          | 178             | ...           | 238             |
| 1980               | 1,704                   | 1,208        | 328             | 506           | 343             |
| 1982/3             | 1,401                   | 1,143        | 287             | 348           | 218             |
| Per Capita Exports |                         |              |                 |               |                 |
| 1950               | 304                     | 219          | 99*             | ...           | 230             |
| 1960               | 320                     | 58           | 56              | ...           | 288             |
| 1970               | 551                     | 170          | 35              | ...           | 499             |
| 1980               |                         | 153          | 173*            | 11            | 59              |
| 1982/3             | 281                     | 197          | 32              | 3             | 48              |

\* Untypical boom year

This brings us to the structure of the balance of payments in our various case study economies. In Table 5.2 we assemble some very crude figures<sup>13</sup> for the past decade and a half. The essential point is the clear evidence that the balance of payments, and with it the total economy of each of the economies, is driven not by commodity exports but by current-account invisibles. This is the defining characteristic of "MIRAB" economies<sup>14</sup>. In the Cook Islands, the invisible categories philatelic, tourism, remittances and "aid" come to four times the income from commodity exports. On Niue the ratio is ten times; in Kiribati four times, in Tokelau seven times, and in Tuvalu 45 times. Narrowing the focus to grant aid and remittances alone yields much the same conclusions.

Two major anomalies strike the eye in Table 5.2. The first is pre 1980 Kiribati, where the balance of payments exhibits the classical colonial structure of a mineral-exporting primary producer. Until phosphates ran out in 1979-1980, Kiribati normally ran a massive cash surplus on current transactions, which flowed out of the economy as a profit outflow until the establishment by the Kiribati Government of the Revenue Equalisation Reserve Fund in 1975; thereafter phosphate profits went to finance overseas investment by the Government. Since 1980 Kiribati has exhibited the balance of payments characteristics of a modern atoll economy.

The second anomaly arises in the case of remittances and the residual balance in Niue. It will be noted that throughout the period covered, the amount of New Zealand financial assistance to Niue exceeded the total value of imports, with philatelic revenues and commodity export earnings adding to the consequent cash surplus. Adding in remittances from New Zealand brings the total cash surplus balance in our Table to 60-70% of the value of imports; and this appears to be a case where imports were reported

TABLE 5.2  
SOME BALANCE-OF-PAYMENTS ESTIMATES : ANNUAL AVERAGES

000 at 1982 prices

|                     | Commodity<br>exports | - | Commodity<br>imports | + | Philatelic &<br>tourism | + | Aid              | + | Remittances | = | Residual<br>balance |
|---------------------|----------------------|---|----------------------|---|-------------------------|---|------------------|---|-------------|---|---------------------|
| <u>Cook Islands</u> |                      |   |                      |   |                         |   |                  |   |             |   |                     |
| 1970-74             | 8,638                |   | 20,524               |   | -                       |   | 12,694           |   | 3,371       |   | 4,179               |
| 1975-79             | 5,413                |   | 32,345               |   | 6,000                   |   | 12,798           |   | 3,923       |   | 4,211               |
| 1980-83             | 5,199                |   | 27,346               |   | 8,530                   |   | 10,295           |   | 4,000       |   | 678                 |
| <u>Niue</u>         |                      |   |                      |   |                         |   |                  |   |             |   |                     |
| 1970-74             | 608                  |   | 3,172                |   | -                       |   | 4,700            |   | 50?         |   | 2,186               |
| 1975-79             | 483                  |   | 4,302                |   | 150                     |   | 6,106            |   | 100?        |   | 2,537               |
| 1980-83             | 568                  |   | 3,984                |   | 300                     |   | 5,353            |   | 300         |   | 2,537               |
| <u>Kiribati</u>     |                      |   |                      |   |                         |   |                  |   |             |   |                     |
| 1970-74             | 31,213               |   | 15,739               |   | n.a.                    |   | n.a.             |   | n.a.        |   | n.a.                |
| 1975-79             | 35,581               |   | 18,712               |   | 1,000?                  |   | 4,000            |   | 1,000       |   | 22,069              |
| 1980-83             | 3,446                |   | 14,879               |   | 1,000                   |   | 11,000           |   | 2,000       |   | 2,567               |
| <u>Tokelau</u>      |                      |   |                      |   |                         |   |                  |   |             |   |                     |
| 1970-74             | 85                   |   | 363 <sup>a</sup>     |   |                         |   | 270 <sup>b</sup> |   | 8           |   | c                   |
| 1975-79             | 104                  |   | 410 <sup>a</sup>     |   | 40                      |   | 236 <sup>b</sup> |   | 30?         |   | c                   |
| 1980-83             | 63                   |   | 490 <sup>a</sup>     |   | 100+                    |   | 227 <sup>b</sup> |   | 100??       |   | c                   |
| <u>Tuvalu</u>       |                      |   |                      |   |                         |   |                  |   |             |   |                     |
| 1979 82             | 124                  |   | 3,021                |   | 1,500                   |   | 3,500+           |   | 600         |   | 2,703               |

a – Store goods only

b - Calculated as a residual

c – See note b.

CIF rather than FOB, so that we have fewer unrecorded invisible payments than in some of the other cases. The implication, confirmed by some casual impressions gained in a rapid visit to Niue, is that the Niuean private sector is a net exporter of financial savings, which places Niue in sharp contrast to the other economies where net remittances run clearly from abroad to the local economy. With a very high ratio of lucrative government employment to total population, Niue is a society whose current cash needs are over-financed relative to absorptive capacity, and in the absence of opportunities for profitable private investment on the island, private sector savings are transferred to New Zealand<sup>15</sup>. A major channel for this transfer is the Post Office Savings Bank, which takes in deposits in Niue but transfers surplus balances to New Zealand; in 1982 this is reported to have involved the transfer of \$1.5 million to New Zealand to be banked there<sup>16</sup>.

Niue, therefore, is a MIAB rather than a MIRAB economy, which matches other aspects of Niuean evolution, particularly the high rates of out-migration to New Zealand and a lack of confidence in the future of the local economy and society. Niuean migrant households in New Zealand are less likely than migrants from the other islands to have close relatives remaining on the island to receive remittances; and still less likely to have relatively poorly off relatives (given the almost all pervasive spread of public service salaries and the total lack of pressure on subsistence resources).

Table 5.3 provides some indicators of the importance of government employment in some of our case study economies. (Data on Kiribati could not be located). In no case except Niue does government employment occupy more than about 20% of the population of working age; in Niue the figure is 40% (which is equivalent to nearly every able bodied male on the island, since female participation rates are low). The combined impact of an exaggerated early expansion of the public service under New Zealand administration, a Constitution which makes cutbacks extremely difficult, and a rapidly falling population, account for the Niuean imbalance. (In 1970, when population was still around 5,000, the government employment ratio for Niue was very similar to that in the Cook Islands. The 1970s migration process in Niue can thus be summarised, not altogether unfairly, as the departure of everyone except the public service and their families).

TABLE 5.3  
ROLE OF GOVERNMENT EMPLOYMENT

|                            | COOK<br>ISLANDS | TOKELAU | NIUE  | TUVALU |
|----------------------------|-----------------|---------|-------|--------|
| Population 15 & over       | 9,730           |         | 1,959 | 4,943  |
| Economically active        | 5,810           |         | 976   | 4,010  |
| Cash employment            | 5,541           |         | 976   | 936    |
| Government employment      | 2,154           | 180     | 784   | 500    |
| Government % of cash empl. | 39              | 90+     | 80    | 53     |
| Government % of popn. 15+  | 22              |         | 40    | 10     |

#### 5.6 Official Culture and "Development" Policy

Policy emerges from the operation of a collective political and bureaucratic "mind", and naturally reflects the "mind set", or culturally determined preconceptions, of the policy makers. Within the magic circle of official discussion, it is possible to use words such as "development", "dependence", "viability" and so on without pausing to worry about what these words actually mean, because they are really just verbal triggers for a set of shared assumptions and interpretations of the world. This world view is shared by virtually all those in positions of responsibility and power both in New Zealand and in the Pacific Islands (where New Zealand has played a major role in the training and indoctrination of the local political and administrative elites). There thus exists an "official culture" within which solutions are sought to policy dilemmas. In communicating with each other, officials proceed easily within the comfortable framework of their shared world view; their main problem is not so much communicating with each other, as communicating with "outsiders" who see the world in different ways, and hence lean towards policy proposals which to the official mind are clearly "not on".

The two sections which follow attempt to deal with two areas where from the outsider's point of view, the official culture seems to produce muddled thinking. These are the extension to small island economies of the nationalistic assumptions familiar in large countries; and the denial that capitalist development is subversive of island society.

- 1) The nationalist fallacy. This is the idea, introduced on the first page of this chapter, that "economic analysis must conform to political demarcations rather than economic reality". The training and world view of the staff of the Ministry

of Foreign Affairs are, naturally enough, directed to relations between nations conceived of as separate geographic and political units. It requires real effort to adapt to situations where the normal formulae of international affairs do not apply. We have argued elsewhere (Chapter 3) that a failure by many officials to make this necessary transition accounts for some current difficulties with the concept of "free association". Our concern here is to suggest that attempting to analyse, and prescribe for, MIRAB economies on the basis of a nationalistic model is a recipe for confusion and disappointment.

Consider, for example, the status of those members of island communities who live outside their home territory as migrants, whether temporary or permanent. The official view, reinforced with plenty of precedents from international law, is that islanders resident in New Zealand are part of New Zealand, not part of the Islands. This is the usual census approach - "de facto" place of residence is what the official statistician wants to know about. When, therefore, an official document talks about "the Cook Islands labour force", what is meant is the population of working age actually resident in the Cook Islands. When the "standard of living" is discussed, what is meant is the average disposable income of those resident in the island group concerned.

This pigeonholing of people according to where they happen to be physically located has the convenient result of resolving numerous policy dilemmas, in accordance with a pre-determined set of criteria which all "insiders" share (and which are, of course, inculcated into administrative elites in the islands as part of their training). It also fits conveniently into the modern conventions of national income accounting, with its focus on Gross Domestic Product (that is, the production of goods and services within the defined territorial boundaries of the national unit).<sup>17</sup> It also fits well with the Departmental structure of New Zealand's administrative management of island affairs. The Ministry of Foreign Affairs, by definition, is concerned with matters which lie offshore from mainland New Zealand, which is how the Islands (including Niue, Cook Islands, and Tokelau) are now conventionally regarded.

There is, however, another way of viewing the same reality, and it is a way which seems to conform more closely with the way in which the key actors perceive themselves. Even though resident in New Zealand, an islander is still recognised as an islander, both by the New Zealand community and by fellow islanders. Many island country census reports include attempts to measure the *de jure*, as well as *de facto*, population; and there is a wide spread feeling that the community of, say, Tokelauans, includes both those living in Tokelau and those in New Zealand in the overall Tokeluan identity - language, culture, family ties, and so on. If we define "Tokelau" as the atolls and those physically resident thereon, then New Zealand policy towards Tokelau is clearly to be seen as dealing with relations between two geographic entities. If, on the other hand, we define "Tokelau" in social or organic terms, then we would include all those who identify themselves as Tokelauan, wherever they presently live.

That this is not mere hair splitting becomes evident as soon as we ask what is meant by "development for Tokelau". On the official definition of Tokelau, development is conceived of as the expansion and diversification of economic activity taking place geographically on the Tokelau atolls. On the organic



definition of Tokelau, "development" might be conceived of as the opening up of successively wider economic and social horizons for Tokelauans, including the opportunities represented by migration out of Tokelau itself to work in New Zealand. In official eyes the latter view is clearly illegitimate as a description of "development" but it is in line with what the islanders themselves do; in other words, it corresponds to the aspirations of many Tokelauans as revealed by their real world choices.

It is further true that if we take a view of "development" which emphasises the raising of incomes and wealth over time, then for island societies with limited natural resources but well-educated labour forces there are obvious attractions to a strategy of allocating the community's labour force internationally so as to take advantage of the highest paying niches of the world economy, and then to redistribute part of the income earned by migrant workers among the rest of the community. Certainly, from the point of view of the individual household in the islands, the economic logic of selective migration is compelling: it pays to operate as a transnational enterprise.

The status of islanders living and working in New Zealand is therefore ambiguous: they are at the same time part of New Zealand and part of their home islands, so long as they retain links with home. Cook Islanders resident in New Zealand but retaining relatives, a family home and land rights in the Cook Islands, are a key part of the Cook Islands economy. A policy-maker's perspective which insists that economic activities in New Zealand cannot be "part of" the Cook Islands economy is therefore only one of the possible ways of interpreting, and hence prescribing for, that economy. It is certainly, compared to the alternative which we have been outlining, a perspective which predisposes one towards a pessimistic and draconian view about "development of the Cook Islands economy". The observer of the Cook Islands in the 1970s sees a large number of the most productive workers abandoning agricultural export production and moving into the more lucrative opportunities offered by employment in Auckland. Is this a positive or a negative thing for "Cook Islands development"? If a geographically exclusive view is taken, the trend seems negative - agricultural production has "collapsed". If an organic view is taken, the picture looks quite different: Cook Islanders have managed, by hiring out family members offshore, to raise their standards of material consumption considerably above what could have been attained by the export production route. Remittances from Cook Islanders in New Zealand are now a more important source of purchasing power in the Cook Islands than are commodity export earnings. We are looking here at that frequently trumpeted goal of policy economists, "reallocation of resources from less efficient to be more efficient uses", with an accompanying restructuring of the economy in which the relatively uncompetitive sectors go to the wall. The New Zealand policy response (faithfully echoed, though without much conviction, by the Cook Islands Government) has been to attempt to revive the dying sectors and attract the reallocated resources back to less profitable activities.

What does this signify for our conception of "development"? Basically, that if we want to promote the idea of the open economy (that is, an economic system open to the world and responding to international price signals in its resource allocation), then it is not very helpful to exclude from our definition of "development" the key real world response of economic agents to those signals.

The geographically restricted definition of "development", if it is to be used prescriptively, makes sense only if we are at the same time promoting a closed economy (along East German/Berlin wall lines). The maintenance of New Zealand citizenship and free movement of labour from the Cook Islands, Niue and Tokelau to New Zealand simply runs counter to the conception of development promoted in many policy statements. One or the other will have to "give", and faced with the choice between depriving New Zealand citizens of their rights on the one hand, and adjusting the official perception of the world on the other, we have no hesitation in supporting the latter.

It must be emphasised at once that we are not accusing New Zealand officials of being blind to the issues raised here. On the contrary, there is much anguished discussion of the implications of the migration/remittance linkage. What we are suggesting is that the widespread perception of "failure" on the development front is a problem in the heads of New Zealand officials, rather than in the islands themselves. Coping with "failure" therefore may involve changes in official assumptions rather than substantive changes on the ground in the Pacific. Indeed, seen from the Islands' side of the fence, there are grounds for suggesting that what we have witnessed in the former New Zealand territories during the 1960s and 1970s has been an economic and social success story. The central achievements have been:

- (1) preservation of the links to New Zealand via citizenship, migration and financial grants to maintain basic services;
- (2) relocation, either temporary or permanent, of a substantial part of the Island labour force into relatively lucrative employment niches in New Zealand, providing the basis for long term maintenance of the "home" social order in the Islands by means of income transfers (this applies less to Niue than the other two, for reasons discussed elsewhere);
- (3) creation of a range of positions in public service employment which have served to hold some of the best educated and most able islanders in the Islands (a role which commercial enterprise has never seemed likely to perform) and provided them with fulfilling and socially prestigious tasks to perform in their home society.

The main negative elements in the picture have been the efforts of aid donors (including the newly imperialistic multi-national agencies) to get inappropriate strategies and unprofitable projects off the ground. The problem lies in the preconceived "development" models of the international consultant.

- 2) The Dualist Fallacy. In the "modernisation" paradigm, discussed earlier, the dynamics of long run economic and social change are usually analysed in terms of a "dualist" transition phase during which the modern sector, superior in all key respects to the traditional sector, steadily expands as the traditional society withers away. Because the superiority of the modern world is taken for granted, this withering away is considered both inevitable and welcome since at the end of the process (when dualism has been eliminated by the triumph of modernity) everyone is better off.

Standard dualist models of development suffer from two important blind spots. The first is a failure to recognise the possibility that dualism could become entrenched as a permanent equilibrium state of society, rather than a temporary "construction period". The second is a failure to allow for the possibility that in certain circumstances, the "modern" may be inferior to the "traditional", so that the displacement of the latter by the former is undesirable. These can be summarised as a failure of the standard development paradigm to recognise that modernisation can be destructively subversive without yielding convincing compensating benefits.

The theme of this section is that it is a fallacy to suppose that in the conditions of very small Pacific economies, the implantation and nurturing of a capitalistically organised modern sector is the key to improving either economy or society over the long run. Small island resource endowments do not provide the "space" for large scale commercial projects onshore to coexist with the village economy; and the displacement of the latter by the former is of dubious merit in a setting where commodity production is inherently unprofitable. The replacement of an integrated non capitalist economy by a permanently subsidised (and hence potentially unstable) capitalist economy should certainly not be promoted merely because the process superficially resembles some stereotype of "development" drawn from continental labour surplus economies.

If, indeed, permanent subsidies are regarded as acceptable by donors, they may better be directed towards enhancing the prosperity of the existing economy, rather than promoting unwarranted structural changes<sup>18</sup>. (Since subsidies from New Zealand to island economies have similar economic implications to a real exchange rate devaluation for those economies, it may be helpful to imagine such an exchange rate change, and ask whether the capitalist or the non capitalist sectors would come out ahead in a straight competitive race).

## 5.7 Dualist Policy Dilemmas

Throughout the Pacific, proponents are to be found of two potentially-conflicting visions of the long-run objectives of "development". On the one hand are those who see the existing village economy as the permanent core of society and economic life, and who judge allegedly "developmental" activities by the extent to which they contribute to supporting and enriching village life. On the other hand are those who conceive of development as the transformation of the existing order by means of investment projects and the expansion of wage labour, bureaucracy, and the capitalist economy. Tuvalu's First and Second Development Plans, for example, pay lip service to both visions, but then take refuge in the delusion that both can be realised simultaneously without fundamental conflict. The typical development planner focuses on the search for profitable commercial projects and underestimates (or discounts) the extent to which the deliberate creation of a dual economy is subversive of village life.

There is always a risk, in such small economies with so many responsibilities and powers placed upon their governments, that ambitious bureaucrats and politicians, abetted by the international aid establishment, may push these "countries" into large scale commercial ventures which turn out to be permanent loss makers. (Examples are the grandiose 1980-82 plans for tuna exports from Tuvalu, including the acquisition of a

Japanese boat for the industry; and the current Cook Islands plans for wood-fired electricity). Neither capitalism nor state capitalism are readily sustainable in MIRAB economies, and it is far from clear that sustained capitalism is the correct object of a "development" exercise. Under the circumstances, it is important not to encourage island governments to embark upon inefficient, risky and socially disruptive projects within their territorial boundaries.

New Zealand aid officials over the past couple of decades seem to have been divided over the aims of "development", and hence over the criteria to be used in evaluating the effectiveness of aid in contributing towards the achievement of the aims. The original view<sup>19</sup> of most New Zealand policy makers in the 1950s and 1960s was that the major role for financial grants was to underpin the "foreign exchange" needs of a more affluent village system, by subsidising consumption within that system. Rising levels of financial support from New Zealand thus underpinned the emergence of the MIRAB economy in the Cook Islands, Niue and Tokelau; while similar UK financed evolution took place in Tuvalu, and in Kiribati excluding Banaba. The channels for these consumption subsidies were various: payment of salaries in an expanding public service; subsidisation of shipping costs to reduce the landed cost of imports; provision of social infrastructure (schools, hospitals, roads); and in a few cases, payment of producer subsidies to households engaged in production for export. The underlying rationale was very much the same as that which underpinned the welfare state in mainland New Zealand: a duty was recognised to ensure that certain basic welfare needs were met, over and above the subsistence needs which were readily available from local resources.

The direct target of such a programme of financial assistance was the standard of living, and both New Zealand and UK administrators could claim success on this front by the mid-1970s. The main problems which were emerging by that time related to areas where the delivery system for consumption subsidies had the form of a "modern sector" to an extent which was beyond the local society's absorptive capacity; the most striking example is the impact of the public service in Niue and Tokelau. (In Tokelau, rigid application of bureaucratic rules of employment and payment prevented integration of the expanding public service with the village system of labour organisation and income sharing; in Niue almost the entire locally resident labour force was absorbed into the public service, making the entire island a government department with nowhere to go). Another case in point is the organisation of shipping particularly the Joint Shipping Service to Niue and the Cook Islands, where the terms of the so called Waitangi Accord mean that much of the subsidy is paid to New Zealand seamen rather than island households.

There is a strong case to be made for the continuation of a policy of subsidising consumption in the island societies, especially so long as they remain closely integrated with the New Zealand labour market. The notion that island populations are not "self supporting" or "self reliant" is highly dubious unless migrant workers are excluded (the "nationalist fallacy" already discussed). A recent study of migration from the Cook Islands (Hayes, 1982: 374-379) used estimates for the decade 1967-1976 to suggest that in 1966 dollars, Cook Islands migrant workers in New Zealand generated \$137 million of GDP, of which about \$100 million went to them as wages (i.e. corresponded to their labour contribution to GDP). Of this, \$10 million was remitted back to the Cook Islands, and about \$27 million was paid as taxes to the New Zealand Government. New Zealand aid over the period was \$21 million, leaving \$6 million of tax revenues to

finance social services provided to the New Zealand resident islanders. Because the dependency ratios among migrant households were lower than the New Zealand average of that period (with many dependents remaining behind in the islands), and because the education ("human capital") of island workers was paid for out of the aid grant to the islands, Hayes suggests that the net cost of the Cook Islands MIRAB economy to the New Zealand economy was negligible or negative.

Similar estimates for the last decade are not to hand, but no doubt could be constructed. Hayes' figures, of course, are not immune to criticism. His point, however, is a valid one: Cook Islanders as a total community more or less "pay their way". But because that community is divided into two halves - a group of surplus households resident in New Zealand, and a group of deficit households in the islands - it is easy for official commentators to define the surplus households out of the Cook Islands economy, and then to prescribe for the deficit households a programme of "bootstraps development" within the territory of the islands, on the grounds that income transfers between the two halves of Cook Islands society are a "burden" on New Zealand.

A better way of looking at the existing situation is that the Cook Islanders (and Niueans and Tokelauans) already participate in a dual economy, with a modern sector absorbing labour freed from the neo traditional village economy. The modern sector is located where both economic and commercial sense suggest it should be located: on the New Zealand mainland. Proposals to build up a modern sector in the islands, to compete for labour with the existing modern sector in New Zealand, would carry some conviction if there were a strong case for the transformation of the island economies from the village mode of production to capitalist systems. No such case, however, has been made to date. The argument generally advanced for production oriented "development" programmes in the islands is that the provision of more lucrative onshore employment would contribute to reducing the flow of out-migration, and maintaining a more demographically balanced population in the islands themselves.

Here we turn to the second, competing, strand in New Zealand official thinking. Since the eclipse of the Department of Island Territories by the Ministry of Foreign Affairs, official views on aid and development in the islands have been based upon the application in the Pacific of slogans derived from other so-called "developing areas", where the link between living standards and local production remains strong. The change of emphasis was most clearly evident in the redesign of New Zealand's financial assistance to the Cook Islands in 1975. The New Zealand Representative set out the change as follows:

"New Zealand's economic assistance to the Cooks was transposed from the old essentially monetary aid system administered by Maori and Island Affairs, into a more purposefully developmental aid package in line with New Zealand's normal overseas assistance programme.

Basically the change from the New Zealand standpoint, entails according to the Cook

Islands precisely the same treatment, based on a mutual respect for independence, that New Zealand operates in its aid relationships with all other aid recipients. Secondly, it has involved the evolution of an aid package based on the perceived needs and priorities of the

Cook Island authorities themselves. It has entailed, thirdly, the establishment of certain politically subscribed goals (which may or may not be attainable in the short to medium term) and in particular, establishes that the aim of the aid programme shall be to build progressively a more self sustaining economy in the Cooks, to give practical expression to that sovereignty envisaged under the Constitution"<sup>20</sup>.

A Foreign Affairs Position Paper of 16 April 1975 set out the nuts and bolts of the new approach:

"The purpose of this paper is to ... explain the policies and procedures employed by the External Aid Division of the Ministry of Foreign Affairs in the administration of New Zealand's official development assistance (ODA) programme. With the Ministry's assumption of responsibility for overall relations with the Cook Islands Government, these policies and procedures would normally become the operational framework for any programme of development cooperation with the Cooks. They differ in several very important respects from those employed in the past by the Department of Maori and Island Affairs in connection with the previous arrangements for financial aid.

... In simplest terms New Zealand's official development assistance (ODA) philosophy is to assist other countries to assist themselves. It is aimed basically at supplying inputs of capital, technical skill and training to assist economic, and social, development in countries which, for one reason or another, are unable themselves to supply those inputs, and which therefore ask New Zealand for help. The programme is project oriented. That is to say, the New Zealand contribution is linked specifically to given projects or undertakings which the receiving country itself considers important to its own economic and social progress; and in all cases the programme contains an important training element in order that counterpart personnel from the cooperating country may acquire the necessary skills and expertise to take over, in the shortest space of time, the running of the project(s) in question. At the heart of the programme is a transfer of technology.

... The application of this ODA philosophy to any aid programme with the Cook Islands implies therefore, and it is important to recognise this at the outset, the phasing out of any system of unspecified capital grants. It will incidentally also entail the discontinuance of loan type assistance. New Zealand's ODA programme is, for the present anyway, based almost exclusively on grant, as against loan, assistance.

... There is a second and longer term implication. To the extent that such a development oriented programme is successful in contributing to the progressive efforts of the Cook Islands Government itself to build a self supporting economy, so the

requirement for budgetary assistance from New Zealand for administrative purposes should diminish. The New Zealand Government will also be pursuing trade and other economic policies designed to accelerate this process.

... While no exact time scale can be placed upon such a development, it is a clear objective to produce a situation within about ten years where budgetary support from New Zealand to the Cook Islands for administrative purposes could be progressively phased down, and eventually discontinued entirely. Otherwise, it will be very difficult to arrive at the full financial and economic sovereignty envisaged for the Cook Islands in the Constitution.

This is the logic of building a programme of development cooperation with the Cooks in keeping with the ODA principles and philosophy as explained by this paper. In such an evolving situation the level and direction of development assistance would always be sustained in accordance with the needs and priorities established by the Cook Island authorities themselves.

... There are three consequences of the system of overall development assistance planning which it is proposed will in future apply to the Cooks and which merit emphasis. First the present system of triennial financial review ... will no longer operate. The system of annual project identification mission(s) will permit yearly reviews. ...

... The application to the Cook Islands of the ODA principles and practices described above would mean, from the New Zealand standpoint, that the situation of the Cooks would be identical, in all respects, to that of all other countries, in Asia, the Pacific, Africa and Latin America, with whom New Zealand has development assistance programmes in operation.

... Budgetary assistance programmes do not customarily form part of New Zealand's official development assistance (ODA) policy as administered by the Ministry of Foreign Affairs. The assumption of budgetary assistance responsibilities for the Cook Islands will represent therefore a new departure for the Ministry.

... In terms of the forward planning procedures, it is envisaged, at least to begin with, that the same procedures should apply to the budgetary assistance component as with developmental assistances to the Cooks."

Such ideas were not, of course, altogether new to the islands; strong elements of similar thinking appear in, for example, the 1955 Belshaw/Stace report in the Cook Islands. Even during the period when the de facto impact of New Zealand assistance was to subsidise consumption, there was a good deal of rhetoric about promoting onshore commodity production, usually for the twin purposes of (1) reducing the level of New Zealand subsidy required to support a given level of living standards, and (2)

creating a "healthy" society with employment in productive as well as unproductive activities. Frequently the two strands blur together, as in Belshaw and Stace's suggestion that a healthy society is a self reliant one<sup>21</sup>. The Cook Islands citrus programme rested on just such a rationale, as does the current support for banana production on Aitutaki and coconut cream on Niue.

In analysing this line of thinking, the main problem is separating the baby from the bathwater. What needs to be discarded is the notion that production should be boosted for its own sake (that is, that "development" is identified with rising GDP). GDP growth is not an end in itself, but one possible means to an end - namely the improvement of the human condition. Growth is neither a necessary nor a sufficient condition for such improvement. Failure to recognise this remains a major blind spot in conventional thinking among aid donors active in the Pacific region.

In evaluating any proposals relating to promotion of productive activities, therefore, the key issue is the ends to be attained. "Improvement of the human condition" is as vague a term as "development"; before it can be used analytically, it must be given substantive content. When New Zealand officials articulate the goals to be served by productive projects in the smallest Pacific economies, the reduction of "aid dependence" and the promotion of "healthy" or "viable" societies are recurrent themes. The points which need to be borne in mind when evaluating aid and "development" performance relative to these goals are the following:

- (1) Reducing aid dependence is not self evidently a sensible goal;
- (2) "Productive" activity which absorbs economic surplus rather than generating it, does not contribute to economic self reliance;
- (3) Official New Zealand perceptions of what makes a society "healthy" or otherwise are rather suspect, because of the strong conditioning effect of modernisation theory on New Zealand aid thinking.

All three deserve some further comment. Starting with the first, we confront the question of why "reducing dependence" has been such a powerful element in New Zealand thinking about the island economies. It is certainly true that a familiar set of slogans are available from other parts of the world economy, suggesting that dependence can have undesirable consequences; but on inspection virtually all such slogans turn out to be inapplicable in the particular case of the micro economies. What we are then left with is the point that the main beneficiaries from any process of "reducing dependence" in the Pacific islands are the New Zealand taxpayers, not the islanders. The "hidden agenda" behind the anti dependency stance of New Zealand aid officials, we would suggest, is the view that New Zealand taxpayers either should not, or are unwilling to, subsidise living standards in the islands. We suspect that this view may not be well founded.

The second point, relating to the generation of economic surplus, is the familiar one from project evaluation manuals, that investment projects which yield a zero rate of return on the resources committed to them are in fact indistinguishable from straight consumption subsidies. One may opt for producer subsidies as an efficient, or equitable (or both) channel for the distribution of income supplements; but it should be explicitly recognised that such programmes change the form, rather than the substance,



of so called "aid dependence". There are, we would argue, substantial advantages in shifting some of the flow of financial assistance from present channels into producer subsidies but those advantages do not relate to any goal of so called "self reliance". These arguments also are set out at greater length below.

The third point, that even the best intentioned observers from wealthy modern societies are prone to see modern practices as "healthy" and traditional ones as "unhealthy", relates closely to the points already made about the "official culture" which determines the mind set of policy makers.

## 5.8 Why Dependence Doesn't Matter

This is not the place to embark upon any detailed discussion of dependency theory; our concern in this section is merely to criticise the mechanical application to the special circumstances of the Pacific of the slogan that "dependence" is a bad thing. When pressed to explain what is undesirable about "dependence", most people using the term seem to fall back on one or more of the following propositions:

- dependence produces instability
- dependence is incompatible with true political independence
- dependence is psychologically destructive
- dependence prevents the emergence of "autonomous" capitalism.

Taking these in order, we can immediately dismiss the first as inapplicable in the island setting. The familiar argument linking dependence to instability is one which focuses on the problems arising from being a primary product export producer in a fluctuating world market; this conception has had a strong influence on New Zealanders' perception of their own economic problem<sup>22</sup>. "Dependence" is here defined in terms of trade structure either as "excessive" concentration upon production of a few specialised commodities, or an "excessive" reliance on one overseas market to take export production. In MIRAB economies, neither point is of great significance: commodity export earnings are of only minor importance in driving the economy, so that fluctuations in such earnings are less important than in full blown export led systems; and the close integration of at least the three New Zealand MIRAB clients with the metropolitan economy tends to provide protected market status rather than vulnerability.

In this connection, it is worth recalling that the introduction of SPARTECA, which opened up the New Zealand market to a wider range of Pacific economies (including several relatively large export led ones such as Fiji) posed an actual threat to the previously favoured export products from the Cook Islands<sup>23</sup> and Niue, and specific steps were taken in New Zealand's "negative list" to preserve their protected status. The protection was withdrawn (e.g. from citrus products and passionfruit) only when production in the client economies faded out. It is, in other words, not necessarily any bad thing to be "dependent" on a particular market, if preferential conditions are enjoyed there and the authorities are well disposed. (New Zealand, indeed, long and vigorously resisted having to diversify away from the familiar and friendly UK market for major primary commodity exports, for the straightforward reason that agreed preferential market access confers not instability, but relative stability and predictability of export earnings).

Turning to the second proposition, that economic dependence is incompatible with full political sovereignty, we may immediately accept the proposition without changing our stance. We have argued elsewhere (Chapter 3) that full sovereign independence, and a corresponding untrammelled freedom of action, has never been the main goal sought by MIRAB societies. The Cook Islands, Niue and Tokelau, all explicitly and clearly rejected proposals for their full independence from New Zealand, opting instead to emphasise the preservation of links with the patron state. In these societies, it is not evident that political independence is an overriding priority, and indeed the essence of the "special relationship" of free association with New Zealand entered into by the first two was the acceptance and legitimation of continued economic dependence, it being clearly recognised that this placed limitations upon the islanders' freedom of action in the political sphere. It has been New Zealand officials in Wellington, together with a few ambitious individual members of the political elite in the Cook Islands, who have viewed sovereign independence as the ultimate goal, and hence have argued for the elimination of both "trade" and "aid" dependence. Since the premise is flawed, the argument does not stand.

In the somewhat different cases of Tuvalu and Kiribati, very similar points apply. In neither case did either the elites or the population at large wish to see any diminution of the inflow of aid to their territories; quite the contrary, they appear to have taken the view that political independence was a necessary price to pay in order to qualify for increased aid. As one Kiribati official confided to a visitor, "independence is as good as a negotiable bank draft"<sup>24</sup>. The prospect of having to embark upon programmes of self reliance and belt tightening, once aid flows turned out to be limited and declining, was greeted with dismay in both countries; as the latest Kiribati Plan notes<sup>25</sup>.

If viability means the capacity of a country to feed and look after its population from its own resources then, obviously, under existing conditions Kiribati is either not viable or is rapidly attaining that unhappy state. Perhaps the most important objective towards which decentralisation must seek to make a contribution, should be identified as national survival.

Both countries, we suspect, would willingly trade some of their freedom of action for a secure flow of financial assistance.

Turning to the psychological impact of dependency, there appear to be two main issues. One is the protestant ethic view, widely held in official circles, that incomes and consumption should be tied to productive activity, and that in order to "deserve" aid, countries must demonstrate a willingness to work<sup>26</sup>. When this view is projected by donors onto recipients of aid, it produces a fear of being seen as parasitic, and a strongly emphasised verbal commitment to the developmentalist dogmas favoured by the donor community. The donor attitude that the "deserving poor" should be patronised, but not the unproductive and undeserving, reflects the decay in New Zealand and elsewhere of an earlier consensus in favour of welfare state ethics. The welfare state of social democratic theory was an attempt to remove the stigma from being economically dependent, and to make proper provision for those who were in that position. Human dignity and basic needs were seen as things which society should make available to all its members as of right, and without imposing demeaning conditions on the recipients. All members of society, whether currently engaged in

"productive" activity or not, should be treated as (and should feel themselves to be) full participants in the fruits of modern technology and productivity, via a system of income redistribution and the collective provision of services such as health, education and transport. Proponents of the welfare state sought to liberate welfare recipients from the sense that to be dependent upon transfer payments was to be a parasite.

The central point here is that the attitudes of aid recipients are, of necessity, formed largely as mirror images of the attitudes of donors. It is the attitude of the dominant partner towards the dependent one which matters, rather than the relationship of dependence per se. An anecdotal, but pertinent, example may clarify the point.

Albert Henry, as Premier of a Cook Islands heavily dependent upon New Zealand financial support, and aware of its continuing necessity, described the relationship between donor and recipient communities in terms which reflected the welfare state ethics of the New Zealand Labour Government of the 1930s and 1940s. The relationship he saw as being akin to a marriage<sup>27</sup> - that is, a contract entered into between equals but allocating different roles, with the housekeeping partner dependent upon the income generated by the bread winner. In the context of the 1960s, this image was psychologically supportive to the dependent partner, and served to legitimate the sharing of income and the permanent status of the relationship. In the context of the 1980s the image still seems particularly apt, since the role of the population remaining in the Cook Islands, Niue and Tokelau is basically a housekeeping or caretaking one, looking after the lands and property of absentee relatives, maintaining the village mode of production, acting as guardians of the descent group, preservers of things held dear in the cultural and social spheres, and in general guarantors of the continuity of island life and culture<sup>28</sup>. The position of the dependent group, in this view of the world, is perceived as socially useful, by both partners in the relationship.

In strong contrast to the Henry generation's image of a "marriage", is the idea of the relationship between New Zealand and the islands as one between parent and child, with the dependent community regarded as immature and unfit to look after itself or take full responsibility, but with an expectation that the relationship will change as the dependent partner matures and finally leaves home to make its own way in the world. This perception corresponds much more closely to the way New Zealand officials of the past couple of decades have conceptualised the situation, and helps to account for their insistence on an evolving, rather than a stable, constitutional position for the islands. Most political leaders in the Cook Islands now appear to subscribe to the parent child analogy rather than the marriage one (see Table 11.2); this seems to represent a significant shift from the Albert Henry days, and probably reflects a real psychological change in the island communities towards greater feelings of insecurity as New Zealand pressures them to "grow up" by moving towards self reliance. New Zealand official statements of the 1960s laid emphasis upon the permanence of New Zealand's commitment to provide financial support. Statements of the 1970s laid emphasis upon New Zealand's wish that aid be progressively reduced, and that island Governments exhibit more signs of independent action.

The presumption that islanders are in some sense "immature" appears to be widespread in Wellington, and is reflected in repeated comments, often rather slighting, in official commentaries on developments in the islands. New Zealand in general has a good reputation throughout the Pacific for competence, loyalty, aid and political leadership. But it attracts frequent adverse comment for a patronising insensitivity to the nuances

of island culture, society and politics. The remedy, if one is to be found, for the psychological problems associated with "dependence" lies not in the abolition of dependence, but in a change in New Zealand attitudes.

The second aspect of psychological dependence involves motivation. It is often observed that recipients of remittances from migrant relatives tend to withdraw to some extent from productive activities and devote more of their time than previously to activities considered "unproductive". From the production centred point of view this is easily perceived as a negative development partly because such a reduction of labour inputs to local production runs counter to the official goal of local self reliance, and partly because the village society and economy of which the home resident population are "caretakers" loses some of its vitality when the core of productive activity, around which neo-traditional practices were originally organised, is weakened. This complaint is apparently often expressed by migrant relatives returning home to Western Samoa to find the village economy moribund by comparison with their memories of earlier times. It is less frequently encountered in the very small island societies which are the subject of the present study.

Two comments are relevant here, in the context of our argument that "dependence" is not the real enemy. The first is that insofar as a reduction of labour effort follows from a transition to a MIRAB economy and consequent reduction of the urgent pressure of subsistence necessity, this probably represents a gain in welfare for the local people. To a considerable extent, the loss of vitality of the village system may be in the eye of the beholder as much as in the system itself. The second is that if the iron discipline of working for subsistence is not to be reimposed, a revival of the village economy must rest primarily upon a new set of economic incentives to produce, and these are more likely to be forthcoming from a restructuring of external financial flows, than from any reduction of dependency as such. Again we come around to the view that producer subsidies may have an important constructive role in promoting the "caretaker" function of remaining populations in the small island societies.

Finally, we come to the question of autonomous capitalism. Here there is a substantial body of writing, largely from Latin America over the past two decades, which suggests that economic dependence constitutes a "conditioning situation" in which autonomous, self-sustaining capitalist enterprise is either absent or stunted. Among several mechanisms alluded to, the most directly relevant in our discussion is the issue of generation and appropriation of economic surplus (profit). Dependency models suggest that the operation of the world market system tends to suppress local profitability in dependent economies, or else to drain off the profits created to swell the balance sheets of metropolitan firms. The profits drain is accompanied by a skills and brain drain, as the best of the local population are drawn into metropolitan employment or become local comprador agents of multinational interests.

We have suggested elsewhere<sup>29</sup> that models of this kind have some relevance in explaining the course of historical events in countries such as Peru; and some of the specific mechanisms adduced by dependency writers appear applicable to the case of the small island economies - particularly the preoccupation with a skills drain, the importance of consumption tastes acquired from metropolitan example, and the suppression of profitability through the market mechanism. From a description of the mechanisms to a policy prescription, however, is a considerable leap, which should not

be taken before the outcome of "dependency" has been carefully evaluated and the realistic alternatives compared with it.

For continental "less developed economies" with large populations, where long-run consumption possibilities remain closely tied to, and limited by, productive capacity, the appeal of autonomous capitalism (in which we include state capitalism) as an agent of brute economic growth, is considerable. The familiar historical model of Western Europe, the USA and Japan emphasises the creative role of capitalism in raising commodity production, and hence permitting the improvement of living standards. The prescription for reducing "dependency" has always rested upon a view that autonomous development would deliver the goods more effectively than dependent development; this in turn has rested upon the ad hoc assessment that the growth suppressing propensity of dependency has not been offset by any compensating mechanism.

The difference between Peru and the Pacific micro-economies is dramatic, and the usual adverse judgement on dependency is immediately thrown into doubt by the scale of the inflow of remittances and financial support. Dependency mechanisms may indeed stunt the growth of productive capacity, but MIRAB societies do not depend for their living standards or social cohesion upon their onshore productive capacity. The backwash effect of dependency on local commodity production is therefore largely irrelevant on its own; what is interesting from an evaluative point of view is the question whether the benefits flowing from dependency (aid, remittances, security of market access, migration opportunities) outweigh any disadvantages arising from the feedback on local production (e.g. skewed demographic structure, low morale, poor nutrition). The key difference between, say, Peru or Bolivia on the one hand and the Pacific MIRAB economies on the other is that the former are net rent payers, while the latter are rent receivers. The MIRAB economic system is closely akin to that of another group of rent dominated economies, the OPEC oil producers.

Oil- and aid-driven economies are indeed characterised by the suppression of local tradeable-goods production in the market sector, and by sectoral domination by services and non market activities<sup>30</sup>. They are also frequently characterised by living standards considerably above what could be "sustained" on the basis of the existing (suppressed) level of commodity production in sectors other than the rent-generating one. In the case of the MIRAB societies, it is safe to say that living standards are above what could be sustained by local production capacity even if the anti-production bias caused by dependency were to be removed.

Another example of relevance to the small Pacific economies is that of Costa Rica - a country which has experienced a successful and constructive process of "dependent development" with relatively high living standards, equal income distribution, and social cohesion<sup>31</sup>.

If we grant that the living standards argument against dependency is irrelevant in the special case of MIRAB economies, two arguments for using policy instruments to reduce dependency still remain. One says that even though living standards may have to be sacrificed, the goal of self sufficiency and autonomous production is so overwhelmingly important as to justify the sacrifice. This is the argument for reproduction in Niue, the Cook Islands and Tokelau of the Tuvalu experience (see Chapter 10) without the grant in aid. It is certainly true that the island economies

would survive a reversion to subsistence affluence with some surplus consumption financed by commodity production. It is, however, difficult to see such a course as politically feasible for New Zealand to impose; and it is hard to find any commentator willing to argue directly for the trade-off of living standards against commodity production. Proposals do, nevertheless, circulate in the official underworld for a cutting loose of the MIRAB economies, leaving them to find their own level. Such arguments are usually put up as "straw men" to highlight the alternatives to existing policies, rather than as serious documented proposals. Clearly, at the very least, any such policy switch would have to begin with the closing of migration outlets, in order to render captive the resident population on the islands concerned - hence the political difficulty in the case of New Zealand linked societies.

The second line of argument is a less extreme version of the first, and has enjoyed strong currency among New Zealand officials over the years. It suggests that while the elimination of dependence per se is neither feasible nor necessarily desirable, there are nevertheless considerable gains to be made by mounting a campaign to raise production under conditions of continuing dependence. This is, in essence, the familiar argument for policy intervention to offset market failure - the market failure in this case being the relative-price backwash which suppresses profitability of commercial production in the islands. New Zealand exchange rates, subsidised transport, financial transfers to service sectors, and migration opportunities are not to be abandoned, but their economic impact via the market mechanism is to be mitigated by the expansion (subsidised if necessary) of areas of commodity production which contribute to non-economic or structural goals such as the implantation of modern practices, the building of local experience and confidence in productive activities, the provision of onshore productive employment to reduce the incentive for young people to leave the islands in search of high wage work, and the quest for an altered balance in the sectoral make up of the economy. Islanders, it is suggested, will feel better-off and more self-confident if they have access locally to a variety of employment opportunities which would otherwise be available only in New Zealand. They will also, it is suggested, feel more self-respect if they see themselves participating in commodity production and thereby contributing directly to the total social product out of which living standards are ultimately financed.

The Belshaw Stace Report (1955:59) set out the basic line of argument as follows:

"By economic development we mean a process which leads to a cumulative increase in levels of consumption. This includes not only food, clothing, and other consumer goods as commonly understood, but also housing, and the benefits of health, education, recreation, water supply, transport and communications.

While major emphasis is necessarily on such consumption levels, we are by no means unconcerned with less tangible elements in welfare, such as result from effective participation in political decisions and group activities, and the extent to which work is a pleasurable form of expression, and not merely a necessary evil ...

At present the major services and facilities are provided by the New Zealand Government. But as long as they are thus financed they can hardly be regarded as evidence of the development of

Cook Islands societies. For this to be the case, growth in services and amenities must be substantially the result of effort by the Cook Islands people themselves. This is not an argument for the reduction of expenditure by New Zealand. On the contrary, additional antecedent expenditure is required to set the process going. Later, this should reduce the burden on the New Zealand taxpayer."

This is a plausible argument, suggesting that the benefits of dependence can be retained, while other benefits from economic restructuring are added on. An alternative formulation would be a restructuring of the links of dependence, so that more aid came into the dependent economy via producer subsidies and less via bureaucratic salaries. The MIRAB system might thereby be transformed into a MIRASP one, with subsidised producers replacing bureaucrats. In both Niue and Tokelau, this approach has a great deal of appeal, and in the latter case a beginning has been made via the Community Services Levy (a local tax on public service salaries to finance expenditures by the village councils on areas which include local pensions and supplementary prices for copra producers).

It should be noted immediately that this is an argument not against dependence per se, but for a modification of the character of dependence. Dependence upon producer subsidies is felt to be preferable to dependence upon public service salary supplements, partly on the grounds that producers are more "socially useful" than bureaucrats, and partly because of the hope that increased commodity exports, albeit subsidised, may take some of the strain off New Zealand taxpayers. So long as policy prescriptions remain within these bounds, we have no grounds to quarrel with them (although one needs to be careful in looking for the point at which transfers of financial assistance from bureaucrats to producers run into diminishing and eventually negative returns: the elimination of government salary support is not an intelligent goal).

The very real danger with this line of thinking is that inapplicable ideas about autonomous capitalism may be imported from other economies where capitalist enterprise is profitable and self sustaining. It is altogether realistic to subsidise islands producers' incomes on a permanent basis, and thus provide the incentive for economic diversification within the framework of a MIRAB economy. It is altogether unrealistic to imagine that commercial ventures, once launched with subsidies on their initial capital investment, will thereafter become "viable" in the sense of being able to survive over the long haul without assistance. There is a fundamental distinction between the use of subsidies to maintain an otherwise unsustainable economic structure, for reasons of social policy, and the injection of "development aid" in the form of investment projects to establish new ventures which are thereafter supposed to pay their way. The danger is that this distinction will not be recognised.

Belshaw and Stace erred, if anything, on the side of optimism on this latter point, probably because of the high expectations in the Cook Islands at that time regarding the future for Rarotonga citrus and Mangaia pineapple. Their vision of the future was one in which growing local self reliance on the basis of onshore commodity production would be compatible with continued dependence on New Zealand (1955:63):

"While New Zealand subsidies must continue, the hypothesis in this report is that as far as possible over the long period the

economic development process shall be self perpetuating, and provide the means out of which further development is financed. The bulk of the resources should come out of the growing income of the territory ... The important desideratum is not so much that the New Zealand subsidy should decline, but that the local contribution should increase in relative importance.

To this end it is important to devise measures by which locally derived tax revenue shall increase, ... investments by business concerns shall be encouraged, and savings and the direct application of labour promoted."

The remittance leg of the future MIRAB structure was not foreseen by Belshaw and Stace<sup>32</sup>, and the major expansion of aid and bureaucracy was still to come (see Figure 5.7). So was the collapse of citrus production in the face of economic realities and consequent failure to replant ageing trees in the 1970s; and the rise of remittances to a level where they provided more local incomes than commodity exports. The feeling in the

1950s that Cook Islanders were not "paying their dues" to New Zealand society, and should be induced to do so via an expansion of their production of exportable staples, has been increasingly sidelined by the rising direct contribution to New Zealand GDP by migrant Cook Islands workers.

A useful indicator of the paucity of commercially profitable niches in the context of the island micro economies is provided by the experience of the one New Zealand aid programme which rests explicitly upon the scouting out of such niches through the medium of private entrepreneurs wishing to set up ventures in the islands. This scheme, the Pacific Islands Industrial Development Scheme (PIIDS), has in fact provided New Zealand with a means of capitalising politically on the low capital absorptive capacity of the island economies. Sustained and intensive administrative and political effort has been put into the promotion of a programme which has been unable to spend more than \$1.3 million over more than seven years of operation since 1976<sup>33</sup>. New Zealand's political leadership has thereby been able to gain high marks for effort at low financial cost. The files relating to PIIDS are replete with officials' comments on the difficulty of finding commercial "winners" in the MIRAB context, and this applies most strongly to the micro economy cases. Of \$1.3 million paid out under PIIDS to the end of June 1983, the Cook Islands and Niue had absorbed only \$209,000, while Tokelau and Tuvalu had attracted no projects at all. (Only one project had even been considered for Tokelau - a proposal in 1978 for a knitwear plant, which quickly ran into the sand).

We conclude this discussion of the "autonomy" critique of dependency, therefore, with the comment that in practice this constitutes more an argument for changing the form of the dependency relation, than for eliminating it. The discussion hinges really around how a well intentioned patron state should design its impact on the dependent client. The persistent tendency of New Zealand official debate to slip over into the view that production growth could and should eliminate dependence, suggests that the "hidden agenda" of some participants in that debate has been to put an end to dependency not because of any malignant impact on the island societies or economies, but because of the burden which it is believed to place upon New Zealand taxpayers.



## 5.9 Politics and Economics Again

A clear, well argued statement of the case for more "self reliance" as the essential foundation for political independence is Kolff (1965). Kolff's position reflects the view, popular in official New Zealand circles even at that time, that "political independence ... is the main issue at stake".<sup>34</sup> He also makes explicit his view that "self government", as provided for in the Cook Islands Constitution Act 1965, was indistinguishable from political independence, and that economic policy could therefore usefully be discussed on the assumption that the aim was to promote such independence. Since in Kolff's view "politics and economics are inseparable, as are the degrees of effective independence which can be achieved in each"<sup>35</sup>, it follows that the pursuit of independence as a political goal must entail the reduction of economic dependence, defined as reliance upon New Zealand budgetary support, migrant remittances, free entry to New Zealand, and the concentration of both export and import trade on New Zealand.<sup>36</sup> Kolff then poses the issue as he sees it<sup>37</sup>:

"To what extent will self government in the Cook Islands be meaningful as long as they remain economically dependent upon New Zealand?"

The answer to this is not at all self evident, for Kolff's formulation begs a crucial question (what do we mean by "meaningful" self government?), and because in any case the question is one which must be answered in Wellington, not in the Cook Islands. The extent to which economic dependence is a fetter on political independence depends on the degree to which the dominant power exercises the power it possesses<sup>38</sup>. Economic dependence upon a benevolent patron is perfectly compatible with political autonomy, so long as the patron tolerates that autonomy as New Zealand has tended to do in the Cook Islands case since 1965, with a couple of notable exceptions discussed in Chapter 6.

Kolff argues however<sup>39</sup> that to be dependent upon a patron's tolerance is ultimately irreconcilable with political independence:

"If the Cook Islands want political independence they will have to face up to the economic consequences."

Those consequences are immediately evident from Kolff's definition of dependence. In order to secure long run political independence, the Cook Islands would have to give up New Zealand aid, New Zealand citizenship, the remittance linkage, and the concentration upon New Zealand as a trading partner. It was precisely this calculation which induced Cook Islanders (in common with Niueans and Tokelauans) to declare themselves uninterested in sovereign independence at the time of decolonisation. The fact of the matter still is that no Cook Islands Government which credibly threatened to eliminate the New Zealand link could survive in office beyond the next election. Kolff, *inter alia*, recognises this<sup>40</sup>:

"The virtually unrestricted entry of Cook Islanders into New Zealand unfortunately [sic] conflicts with the goal of independence, particularly with respect to raising the productive capacity of the Cook Islands. For the individual Cook Islander this

is probably the most important link with New Zealand, which must be maintained at all costs."

The reference to "raising the productive capacity" in the preceding quotation brings us directly to the heart of Kolff's economic prescription for the Cook Islands<sup>41</sup>:

"For as long as the Cook Islands continue to base their living standards not basically on the productive capacity of the economy, but on grants from New Zealand, political independence can mean relatively little. ... How then are the Cook Islands going to achieve economic independence ...? Basically, the answer must lie with more rapid economic development ... Consequently, the Cook Islands will have to concentrate to a much greater extent on increasing the productive capacity of the economy in order to help pay for a greater share of the social services ..., and so decrease its dependence on New Zealand ... (S)ince the economy is predominantly based on the output of the land, investment in agriculture ... will have to be greatly increased both for export and subsistence crops ... New Zealand will also have to allow and actively encourage its subsidy to be channelled into a different range of projects, in accordance with this shift of emphasis."

As we have already seen, this was precisely the programme set out by the 1975 New Zealand aid mission to the Cook Islands. It has been the perceived failure of that programme which accounts for much of the current disillusionment among officials in Wellington with "Cook Islands development" (not to mention the parallel evolution of events in Niue). Yet the central flaw in the programme has always been apparent: it rests upon false premises. The programme would hold together logically only if (a) full sovereign political independence were really the top priority in the Cook Islands, and (b) Cook Islanders were willing to sacrifice their special relationship with New Zealand, and if necessary their established standard of living, in pursuit of that goal. In fact neither of these holds.

The reality is that although Cook Islands Governments from Albert Henry on have always regarded political autonomy as welcome and desirable, they have equally consistently placed other matters higher on their list of priorities – specifically, the links of aid, migration and remittances which constitute, in Kolff's analysis, "economic dependence". In any conflict between the two, dependence wins. The only way at present in sight to change this would be the imposition from Wellington of an alternative set of priorities, in order to force the Cook Islands Government to pursue autarkic political and economic development at the expense of the clearly expressed and strongly held wishes of the Cook Islands people. This would require at the very least a recontracting of the special relationship between New Zealand and the Cook Islands.

The 1975 aid mission thus posed a problem for Albert Henry as have other New Zealand inspired attempts to promote the expansion of commodity production. Polite agreement with New Zealand aid officials was the least the Cook Islands Government could offer to its chief paymaster; yet the task those officials sought to impose upon the Cook Islands was clearly unachievable. The Henry regime's political survival hinged upon the continuance of aid, migration and remittances (that is, upon the New

Zealand link), and also upon the preservation of Cook Islands culture and society (that is, the preservation and strengthening of the neo traditional order<sup>42</sup>). Yet attempts to expand productive

capacity could achieve very little unless one or both were sacrificed to some extent. In the event, the Cook Islands Government acquiesced in Wellington's 1975 plans to shift aid from budget support to project aid over a ten year span; but quite reasonably exhibited little conviction in its pursuit of a breakthrough on the production front<sup>43</sup>. (After recurrent fits and starts, the first official Development Plan appeared only in early 1984, and identified no area where dramatic gains were rapidly attainable). However, an impressive effort was mounted to meet Wellington's desire for local revenues to finance more of the government budget. As Figure 5.7 shows, a considerable tax squeeze was put on the Cook Islands economy after 1975, at a time of falling export earnings but rising incomes from tourism and philatelic sales. At the same time, real expenditures were held constant. The subsequent Davis and Geoffrey Henry regimes have continued the process (under a good deal of pressure from Wellington, especially in 1980-1981). The outcome has been that the proportion of Cook Islands Government expenditure financed from local sources has been pushed up from 42% in 1971-75 to 63% by 1981-84 (see Table 6.11), while real GDP has remained static or falling.

This was not, of course, what New Zealand aid officials had in mind in 1975, nor what Albert Henry himself had envisaged a decade earlier, when at a 1964 public meeting he<sup>44</sup>:

"... pointed out the desirability of reducing the extent of financial done dependence on New Zealand, but showed that this could only be by an increase in production, which would thereby increase incomes and, accordingly, the amount that could be raised by taxation ..."

The problem which has come to light in official experience since 1965 is that what seemed to many a coherent "modernisation package" of policy measures, actually contained internal contradictions. Modern infrastructure and improved living standards rested upon financial linkages which rendered "real independence" impossible. "Real independence" could be pursued without subverting the New Zealand links only if profitable opportunities for productive investment could be found and exploited within the Cook Islands. But in a MIRAB economy adjusted to operating on the basis of those links, profitable investment opportunities were the exception rather than the rule; and heavy subsidies to local producers could be paid only if financial assistance from New Zealand (or other donors) continued. Breaking the links in order to render investment projects in the islands more profitable would immediately subvert local living standards and ability to maintain social infrastructure.

These dilemmas are, of course, those which now exercise the minds of Foreign Affairs officials in Wellington. "Economic development" continues to be seen as vitally important, and provides the perceived focal point for New Zealand aid (even though in practice, and of necessity, most "aid" is in fact directed to maintenance of the status quo via budgetary assistance). Free movement of labour between the Cook Islands and New

Zealand is recognised to be subversive of efforts to force local production up (since migration drains off the potential reserve army of cheap "surplus labour"), but

unilateral action by New Zealand to stop the migration flow would encounter bitter political opposition both in the islands and in New Zealand. Officials feel themselves to be facing a logical impasse, and in this they are absolutely correct. The problem, however, is in their heads, not in the islands. All that has happened is that inappropriate slogans from elsewhere were slung together into a policy package which was always devoid of coherence, but which was so closely in tune with the presuppositions of "official culture" that no effective internal critique of it could be mounted. Several Foreign Affairs officials have nevertheless made the effort, most notably the departing New Zealand Representative in the Cook Islands in 1982<sup>45</sup>:

"(W)e are not faced with a typical developing country situation. These people are our citizens who can all move to New Zealand tomorrow. For as long as the special relationship continues - ... at least to the 1990s I suspect - our choice lies between helping Cook Islanders here and having them in New Zealand. There remains a political obligation to provide aid arising directly from 1965. The decisions taken then emanated from New Zealand and suited us better than the possible alternatives.

A basic conclusion from my experience here is that until the constitutional relationship changes, New Zealand needs to view aid to the Cooks, and the economic development of the country, in relative, not absolute, terms. Where free movement is possible, the key issue is to get the relativities right. If conditions in the Cooks are too bad in relation to New Zealand, people simply will move.

...

If the situation is viewed in this light, the 1975 principle of reducing over 10 years the annual amounts devoted to budgetary support was misguided ... Cooks history since 1900 is more the story of New Zealand assumptions that have not materialised than we care to concede. From Premier Seddon on, we have not managed quite to get it right."

The persistent error in New Zealand official thinking has been the attempt to apply modernisation policy packages in a MIRAB setting. No committee of New Zealand aid officials has yet made more headway on the theoretical issues than did Kolff in his 1965 discussion already cited and attacked. Confronted with the choice between two alternative possible worlds, Wellington wants both; but the reality of MIRAB systems is that the economic mechanisms which deliver higher living standards are at the same time incompatible with "bootstraps growth" of production. Production growth requires people, and forced draft "development in one country" can be induced only if its labour force is captive, which the labour forces of the Cook Islands, Niue and Tokelau are not. In Tuvalu and Kiribati, where local labour is indeed captive in the absence of major migration outlets, "bootstraps development" (or rather, in the words of the Kiribati Plan, a "struggle for national survival") may indeed be induced, but only at high social and economic cost.

Further, the expansion of profit oriented productive activities (that is, the advance of capitalist or at least commercial production) requires relative price signals which favour productive as against service activities - but so long as aid is linked to

bureaucracy (that is, financial assistance is injected into the local economy through public service salaries) the price system will be skewed the other way. The dominant purchaser in the Cook Islands is the New Zealand Government, and what it wants to buy is social services delivered by the bureaucracy. Those services therefore, being in demand, command the best price. Only if the New Zealand Government shifted its effective demand away from social services towards the buying up of commodities produced in the islands would the

relative price situation swing in a way which favoured expanding onshore production. The resulting expansion, however, would have nothing to do with comparative advantage or international competitiveness of Cook Islands producers; it would reflect simply a New Zealand view that producers of (say) bananas were more deserving of high cash incomes than suppliers of public services. The outcome, in other words, would have nothing to do with "development potential" of the islands, or domestic forces of social or economic evolution. It would reflect simply a shift of priorities in Wellington.

Seen from another angle, the point here is that whether "development" is "necessary" or not is a decision not for the Cook Islands but for New Zealand, and the (draconian) measures which are normally required to get bootstraps development ("autonomous capitalism") going in a small resource poor country would have to be unilaterally imposed by Wellington, even if a compliant puppet government could be installed in the islands to take ostensible "responsibility". The goals whose pursuit require that "development" be pursued in the face of hostile market forces are those of the dominant partner, not the dependent one.

## NOTES TO CHAPTER FIVE

- <sup>1</sup> For a theoretical analysis of development possibilities under those type of circumstances, cf Fisk and Shand (1969).
- <sup>2</sup> For example, Lewis (1956), Ranis and Fei (1963).
- <sup>3</sup> Hagen (1972); Shahid Alam (1979).
- <sup>4</sup> Ten years ago a special exception would have had to be made for Ocean Island phosphates. Since 1980, however, the rule rather than the exception holds in Kiribati.
- <sup>5</sup> For example, Adelman (1978).
- <sup>6</sup> For example, Belshaw and Stace (1955).
- <sup>7</sup> The shift is most obvious in Tokelau, where the transference of administrative responsibility from Island Affairs to Foreign Affairs brought an immediate end to the systematic statistical reporting of the 1960s and early 1970s. Foreign Affairs officials appear not to have appreciated the importance of statistical information; in consequence our foreign trade data for Tokelau after 1975 has been pieced together from unpublished file material. In the newly independent or self governing territories Cook Islands, Niue, Nauru, and more recently Kiribati and Tuvalu, the disappearance of the old annual reports of the colonial administrators removed the main vehicle for publication of statistical information, while at the same time the devolution of a mass of new responsibilities to local governments put severe pressure on resources of skill and time, so that for a time statistical work fell into arrears after independence. Shaky Tuvaluan statistics exist only due to the persistent efforts of UNDAT in Suva; and reliable Kiribati statistics, although becoming available in Tarawa, are not easy to find in New Zealand. Niue and the Cook Islands have done better in statistical reporting, although the quality of the published material is not always adequate. Though it should be noted that our Tokelau import data exclude government imports.
- <sup>8</sup> A useful analysis of the collapse of agricultural production in the 1970s is G. Hayes, "Population Change in the Cook Islands 1966-76", and "Employment and Occupational Trends in the Cook Islands 1966-76", cigov Stats. Office Occasional Papers 1 & 2, 1979.
- <sup>9</sup> The quotation marks around "foreign exchange" reflect the fact that in fact no exchange of currencies is involved, since most trade and income transfers take place within the New Zealand or Australian currency areas.
- <sup>11</sup> "Absorption" here means consumption and investment by the private and public sectors.
- <sup>12</sup> Purists would object to the description of Niue as a "high island", given its non volcanic origin as a large atoll, since uplifted. In terms of natural resource endowment per head of population, however, the classification is appropriate.
- <sup>13</sup> We have no capital account data, nor does Table 5.2 cover several categories of invisible receipts and payments particularly freight, insurance, and travel costs, and investment income.
- <sup>14</sup> Migration remittances/aid bureaucracy.
- <sup>15</sup> This should not be taken as an argument for reducing the level of New Zealand financial support for Niue. A policy of "people conservation" may require the maintenance of disposable incomes above the level of current consumption expenditures.
- <sup>16</sup> Iosefa Maiava, Preliminary Survey of Transnational Corporations in Niue, (ESCAP 1983)
- <sup>17</sup> Thus, goods and services produced by islanders resident in New Zealand are unambiguously defined as part of New Zealand's production, not the islands'. If those same islanders then remit part of the wage income, resulting from their productive activity in New Zealand, back to their families in the islands, this is treated as an entirely separate transaction between separate national units a balance of payments flow.
- <sup>18</sup> Chambers (1977) sets out a critique along these lines of New Zealand promoted agricultural extension work in the Cook Islands. As he puts it, "the advisers and research people do not understand the basic thinking and motivating forces of the growers they are trying to assist". Enclosures, mechanisation and monoculture run counter to the low input garden agriculture system. Chambers suggests as an alternative the intensification of the existing system rather than its transformation, with the incentive provided by paying aid money direct to growers rather than to the Government. A recent survey of global prospects for intensification of so called "traditional agriculture" is Orskov (1984).
- <sup>19</sup> Albeit not expressed in these terms.
- <sup>20</sup> N.Z. Representative's Report : "Economic and Political Events in the Cook Islands in 1975", 24/3/76, in File 118/13/104/1 Part 5.
- <sup>21</sup> Belshaw and Stace (1955): Chapter 2.
- <sup>22</sup> For example, Simkin (1947).
- <sup>23</sup> An article in the Evening Post (Wellington) 7 July 1983 pointed to the possible threat to Cook Islands exports of apparel to New Zealand as a result of the extension to Fiji of duty free access to

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the New Zealand market. With 13% of the private sector work force, the clothing industry was regarded as a major employer in Rarotonga, the existence of which had historically rested on the special relationship of the Cook Islands to New Zealand.

24 New Zealand High Commission Apia to Wellington, 15 May 1978, MFA 316/1/1.

25 Kiribati National Development Plan 1983 1986:4.

26 Cf, for example, the comment in NZ High Commission Apia to Wellington, 15 May 1978, MFA 316/1/1, that "the Gilberts will, at least, try hard before they become a mendicant society and our guess is that if the present Government retains power they will not squander what they have".

27 Chapman (1976): 68-69.

28 Cf descriptions of Samoan village life in Wendt (1973)

29 e.g. Thorp and Bertram (1978).

30 Cf. Hagen (1971), Shahid Alam (1982), Barker and Brailovsky (1981).

31 Rodriguez (1980).

32 Their discussion of migration (Belshaw and Stace, 1955:61-62) was based upon the assumption, already unfounded in the Cook Islands by 1955, that out migration imposed a straightforward deadweight loss on the local economy: "the Cook Islands bear the full cost of upbringing and training, but do not enjoy the full benefits of production during the working life of the migrants". However it was difficult to appreciate this value of remittance flows as early as 1955.

33 Development (MFA Wellington), December 1983.

34 Kolff (1965), p.119. He qualifies this in parentheses: "(or rather, a greater degree of political independence)", but then goes on to pursue his argument on the basis of full independence.

35 Kolff (1965), p.119.

36 Ibid.

37 Ibid.

38 Although obviously the latent power of the dominant partner is never extinguished, and will influence the behaviour of the client.

39 Kolff (1965), p.120.

40 Kolff (1965), p.122.

41 Kolff (1965), p.121. Emphasis in original.

42 During the 1964 meetings to set up the Cook Islands Party, Henry laid down clearly his position on this issue, especially with regard to land tenure: "... the land question was a most difficult one, but that the land was of great importance to the Maori. He said the solution would not be easy to find but that perhaps economic plans should be made to fit the land system which the people understood and wanted rather than the land tenure system be made to fit economic plans" (Stone, 1965:92).

43 The New Zealand response to the Henry regime's priorities is interesting as a reflection on the frequently heard claim that New Zealand acts always "in accordance with the wishes of the Island peoples" as expressed by their governments. A ministerial briefing document of 8 August 1978, prepared for the impending visit by new Cook Islands Prime Minister Davis, sets out Wellington's view of the Henry era as follows: "The Henry era saw corruption and ineptitude in almost every sphere of Government activity and few attempts to come to grips with economic development problems, particularly in agriculture. The principal emphasis was on social infrastructure development and patronage. In part this was a reflection of 65 years of benevolent New Zealand rule with its emphasis on social welfare. But it was also a reflection of the lack of any real leadership in economic issues under the Henrys. The emphasis which we sought to place in our aid programme since 1975 on revenue earning development rather than social welfare projects, which had more political appeal, was one of the main causes of the deterioration of New Zealand's relations with the Henry Government. Sir Albert had other priorities..."

44 Stone (1965):90.

45 Watt to Minister of Foreign Affairs, 24 February 1982.





PART TWO:  
COUNTRY STUDIES



## CHAPTER SIX

### THE COOK ISLANDS: A COUNTRY SURVEY

#### 6.1 Introduction

The Cook Islands are a “self governing country in free association with New Zealand”, a status which dates from the end of formal New Zealand colonial rule in 1965. The main heritage of the colonial period, which has been reinforced since 1965 by the operation of social and economic forces, is the close organic intergration of the Cook Islands community with New Zealand economy and society. Retention of the linkages through which that integration operates – in particular, New Zealand citizenship, and membership of the New Zealand currency area – has remained the top priority in Cook Islands politics despite efforts by both the New Zealand Government and some of the Cook Islands' political elite to steer the group towards full sovereign independence. The central theme of this chapter is that policymakers have given too much weight to the idea of the Cook Islands as a separate country, and not enough attention to the real world consequences and implications of the centripetal forces tying the Islands to New Zealand.

In designing political institutions for the post colonial era, for example, New Zealand established in the Cook Islands the full fledged institutional apparatus of an independent nation state, and strong jurisdictional boundaries were established between those Cook Islanders resident in the Islands and those living in New Zealand. (The Cook Islands Legislative Assembly has unilaterally smudged those boundaries by extending the Cook Islands franchise to the New Zealand resident community - a decision which accurately reflected realities which New Zealand policymakers have preferred to ignore).

Similarly, in the area of economic policy, New Zealand aid priorities have been oriented towards a model of autonomous “development” for the Cook Islands, which would imply a progressive phasing out of budgetary support, and the halting or even reversing of the out migration of young Cook Islanders to work on the New Zealand mainland. In line with this approach, New Zealand policy has treated the Cook Islands as a foreign country, has recognised no durable identity of interest between the two communities of Cook Islanders (those in New Zealand and those in the Islands), and has aimed to eliminate the widely held view that the Cook Islands are part of New Zealand, albeit a distinctive part.

The facts which appear to us to be the central features of Cook Islands reality are that family ties and remittances span the geographical gap between New Zealand and the Cook Islands, that the two entities share citizenship, currency and tariff regimes, that the labour and capital markets of the two are closely integrated (though with standardised wage differential, and with some division of the capital market in recent years due to changes in Cook Islands tax law) and that the question of the separate constitutional status of the Group is still only partly settled.

The survey which follows is an attempt to set out how the Cook Islands economic and social system actually functions, and to highlight the discrepancies between the reality and the assumptions on which New Zealand policies have tended to be based.

## 6.2 Society<sup>1</sup>

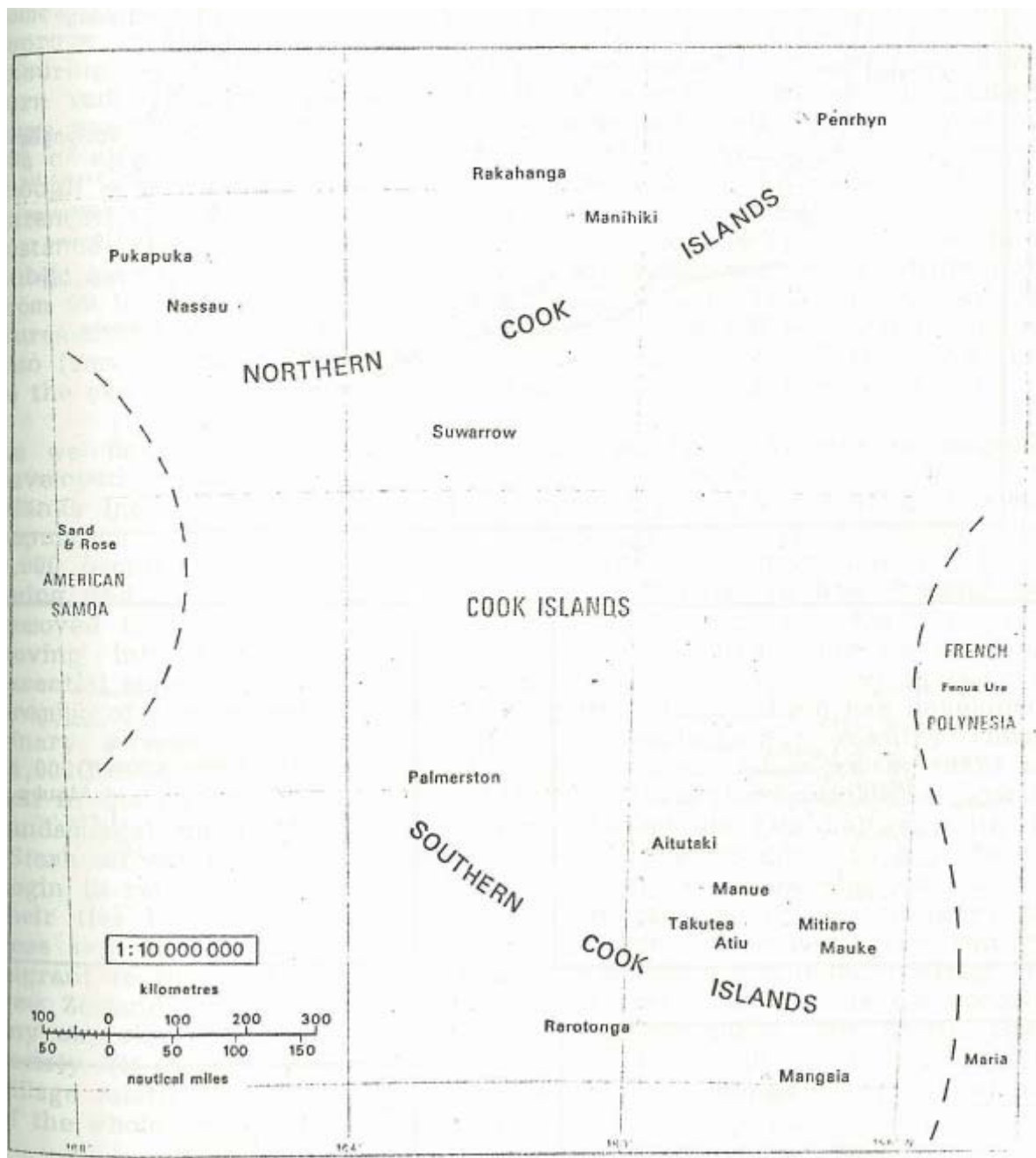
In general, the society of the Cook Islands may be thought of as “post tribal” in character. While descent is still very important as a principle governing many attitudes, the descent units have partially lapsed. Individualism has proceeded a fair way with regard to the scope of personal action and the spread of consumerism, but the underlying descent structure and seniority acts as something of a break. Certainly, action is far from the rugged individualism and acquisitive drive of Western entrepreneurs or of “Jeffersonian societies”.

Society evolved on the basis of a gardening fishing gathering economy and the level of subsistence affluence that existed suggests that subsistence could be acquired easily without large periods of time being required. Although the link to the land and lagoon area was strong, the relationship was mediated through the descent group structure. Exchange of goods and services occurred within a social nexus and the primacy of social relationships based on the overriding principle of reciprocity meant that no monetised market system was able to evolve. These two facts – the absence of strong individual attachment to and control over land and of monetised marketing governing exchange, together with the absence of an overriding class structured civilisation in which an elite dominated and appropriated the so called surplus from a rural lower class – meant that nothing akin to a “peasant society” has evolved.

The Cook Islands have been subjected to 150 years of culture contact that has strongly shaped society. One of the most pronounced processes was missionisation, the process of stamping on the local society a rather Victorian form of Christianity, morality and set of values which has, however, been “Cook Islandised”. Although the prevailing Victorian theocracy and formalism of missionisation has often been commented upon (Beaglehole, 1957), in recent decades local elements appear to have reworked Church practices in accordance with their wishes. The beche de mer, coconut oil and later copra traders began to exert an influence, and later the inhuman depredations of Peruvian labour slavers and the shattering impact of introduced diseases took their toll in the 19th century.

In the first decade of the century the ethnocentric and authoritarian colonial policies of the New Zealand administrators began to shape suitably submissive local societies, especially after the power of the ariki was greatly weakened by the removal of their authority over land, district courts and councils by Colonel Gudgeon. The destruction, weakening, or more often simply by-passing of traditional institutions by the colonial authorities led to growing apathy and loss of self confidence among the local people.

The pronounced mobility that these islanders have always shown as sea-farers, carried over into the colonial and modern eras. While force was characteristic of the labour trade, islanders have seldom been slow to take advantage of new employment opportunities. They moved in large numbers to the phosphate islands and large coconut plantations of the French territories and central Pacific working for a one year contract. Between 1942 and 1956, 2900 Islanders worked on Makatea, earning the small fortune of at least \$592 annually. A high proportion of the working age male population of most of the Cook Islands thus gained experience in labouring positions in the wage economy. In other words, for the decades leading up to the 1950s and 1960s, thousands were “proletarianised”, becoming increasingly familiar with modern medium scale wage labour in unskilled and





some semi skilled employee roles. Married men on Makatea were required to remit two thirds of their wages home (Hayes, 1982:83). The steady growth of the great migration movement to New Zealand in the 1950s, 1960s and 1970s has been simply merely the logical extension of the Makatea and other central Pacific population movements.

In the 1950s and 1960s there was a rapid growth in the size of the local public service, begun first by New Zealand to administer non traditional services such as education, health and public works and extended somewhat in the 1970's by the Cook Islands Government, ostensibly to improve services and infrastructure, but fundamentally as a means of ensuring economic security to a larger section of the population (who in turn redistributed a portion of their earnings to relatives who lacked a wage earner). In 1981 the public service had 1,916 employees, or over 50% of all employment (Escap, 1983). Here, the bureaucratisation process, though most evident on Rarotonga, the seat of Government, has also extended to a great extent on some of the outer islands: on Aitutaki for instance, about one half of the households have a member employed in the public service. The number of men in the public service on Aitutaki rose from 69 in 1951 to 150 in the 1960s, about 190 in 1975 and 224 in 1981. Bureaucratisation which feeds on aid supplied from New Zealand (and now also from other international donors) has thus added a further dimension to the modern migration remittance society in the last 15 years or so.

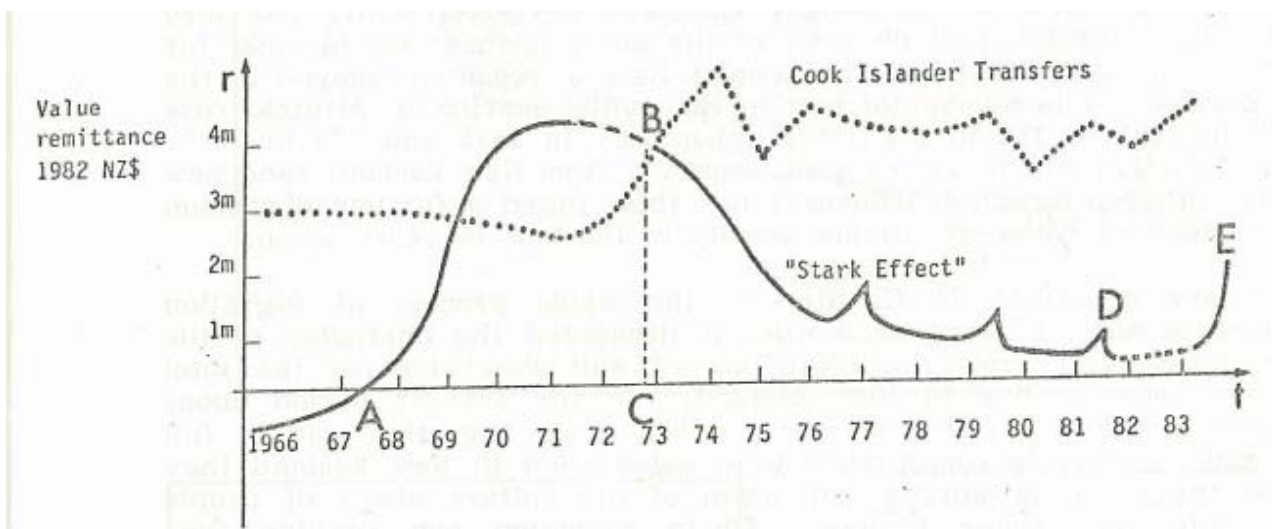
As we have described in Chapter 2, the whole process of migration developed to such a large scale that it dominated the character of the islands increasingly from the 1960s onward and about half of the total population came to live in New Zealand. In the 1966-81 period about 9,000 people migrated. By the early 1960s chain migration was in full swing and as satellite communities were established in New Zealand they removed the economic worries and much of the culture shock of people moving into the larger society. Chain migration can provide four essential services to the migrants: the passage money, accommodation, the promise of a job and psychological support. Thus, there has developed a binary society with roughly half in the metropolitan country (nearly 14,000 Cook Island-born, and 24,000 ethnic Cook Islanders in 1981) and half in the islands (16,435 in 1981). While over time one might expect a fundamental distinction to be drawn between the two halves, with the "Stark effect" (Fig 6.1) occurring as long term residents in New Zealand begin to remit funds less and less frequently (or in smaller amounts) as their ties to relatives in New Zealand become relatively stronger, this does not appear to have happened to date. Moreover, the returned migrant to the Islands, bringing large sums of accumulated savings from New Zealand and the sophistication of the larger society, is not accorded any superior status, and accordingly takes his place back in the island society (if he/she decides to remain) on the same status level as his village relatives.<sup>2</sup> This emphasises the relatively unified, organic oneness of the whole Cook Islander community.

While there is evidence of recognition of the different life circumstances of islanders in New Zealand (especially perhaps the 10,000 born there) compared to those in the islands, when the proposition is suggested that a difference exists or the relationship between the two might weaken, it is immediately rejected. If any difference occurs, it is in the self image of Islanders in New Zealand. Islanders affirm strongly the indissoluble nature of the link and any political or economic policies which threaten the link would be rejected out of hand. The society as a whole is one community.

FIG 6.1

COOK ISLANDER REMITTANCES

COMPARED TO "STARK EFFECT"



The heavy line ABDE is Stark's hypothesized time-profile of remittances from an individual migrant, measured in real terms. If the migrant returns home early, or is joined by his/her family, the time-path will be ABC. For a migrant who does not return home within a short time, the time-path is ABD, with the gradual tailing-off of remittances interrupted by one-off "jumps" corresponding to particular cute needs such as family ceremonials, or village fundraising for capital works. The "tail" DE corresponds to an intended terminal movement (e.g. at retirement) back to the migrant's place of origin. (After Connell 1980)

The superimposed time-path of remittances from Cook Islanders in New Zealand does not exhibit the "Stark effect" of a falling-away after the initial peak. On the contrary, there is a remarkable constancy about the series, which almost certainly reflects the continual "topping-up" of the pool of migrants by new arrivals. Thus although each individual migrant may behave as Stark suggests, the aggregate volume of remittances will not fall unless net migration ceases (or rather, falls below the level required to make up for the "depreciation" of Cook Islands human-capital investment in the New Zealand labour market).



What are the characteristics of the migrant society? Ties between islanders in New Zealand and relatives in the islands remain strong it was asserted to us that even if whole families including cousins went to New Zealand, relatives would still remain to keep in contact with “even if they were only cousins 52nd times removed”. A great flow of resources (that reached over \$4 million dollars in 1983) came back to the Islands as remittances, equipment and trucks, quite apart from the effect of the Islanders' side of the reciprocity relationship, expressed in food, flowers, tere parties, visiting and in other ways. As Loomis (1984) suggests the reciprocity relationship represents an investment both in the Islands and in New Zealand. Attitudes toward New Zealand, as the larger society where greater incomes, a higher standard of living, better education, superior services, more diversified culture and greater power in general reside, have become paramount and “dependency” on that country, economically, socially and politically, has developed to a high degree.

Loomis (1984) has suggested that the kopu tangata, or family estate is a limited duration corporation of kin maintaining long distance relationships of production, investment and resource allocation. Following George Marcus (1981), Loomis uses the concept of family estate to refer to those kin dispersed for many reasons, but who continue to act together in spite of distance. Currently, he is studying why the kopu tangata maintains the flow of “investments” back to the islands, the direction and purposes of these inputs, how extensive and durable the corporations are and the dynamics of rank and of decision making in resource allocation. Thus, not only are the Islands increasingly being integrated economically into the New Zealand economy (Chapter 5), but the social processes of the community as a whole and of individual kopu tangata are extending the integration socially. There are obvious political consequences of this process.

### 6.3 Birth of the “Mirab Society”

Writing 40 years ago Felix Keesing aptly described the South Pacific in general as “hyphenated cultures” - consisting of native trader-mission-offical cultures.<sup>3</sup> There is still some truth in this approach and to a degree we could add more adjectives and hyphens to cover the changes of the last 40 years. But this simplistic, additive approach would do less than justice not only to the great rapidity of social change since World War II, but also to the great qualitative differences in the change process itself. For since then the migrant remittance, aid financed, bureaucratic society has been born and begun to evolve. Its characteristics are now so firmly in place that we must recognise them the MIRAB society (MI = migration, R = remittances, A = aid financed, B = bureaucratic characteristics).

We have already outlined some of the characteristics of the MIRAB society as illustrated by Cook Islanders. For many decades economic and social life has been shaped by injections of large subsidies into the Islands. The role of government has always dominated over private enterprise and in the last four decades there has been a great expansion of the bureaucracy a bureaucracy which has had little effect in stimulating autonomous development. Government indeed has always been paternalist and society dependent on it. As the Belshaw-Stace Report (1955:2) stated 30 years ago:

“Government ... is regarded as something apart to be protested against, or an orange to be sucked for unrequited handouts, rather than an agency with which the people co operate for their own benefit”.

The achievement of a high standard of social conditions in the Islands, and the implementation of welfare policies, flowed directly from the link with the developing welfare state in New Zealand. Successive New Zealand Ministers of Island Territories took it for granted that the achievements of the welfare state in New Zealand should be extended to the peoples of the New Zealand dependent territories; Sir Maui Pomare, for example, referred to<sup>4</sup>

“New Zealand's moral responsibility to develop the Cooks socially as well as economically, even if this meant New Zealand had to pay for what the islands could not afford themselves.”

By the 1920s, government spending was well above the level that could have been sustained on the basis of local revenue alone; from then until self government New Zealand's “subsidy” to the Cook Islands accounted for around half of total spending.<sup>5</sup> Having been thus “colonised by the welfare state”, and with their continuing freedom to move to mainland New Zealand at any time, Cook Islanders have been able to take for granted their continued access to a level of services, and a standard of living, which would not have been attainable on their own. The bureaucratic superstructure, which simultaneously provided both employment and services, was constructed to New Zealand specifications, and on the base of the strength of the mainland New Zealand economy. Opportunities for able Cook Islanders have been most readily available in the bureaucracy, in the commercial sector (mediating trade with New Zealand) and in New Zealand itself. Given the mobility of the Cook Islanders, their proletarianisation and acquaintance with remittance systems from the Makatea period, and the lack of sustained profitability in agriculture or manufacturing in these small, remote islands, the evolution of the MIRAB society is to be seen as a rational, and indeed inevitable, response to clear opportunities.

Having thus been enabled by the link with New Zealand to “leapfrog” the textbook “stages of development”, and to achieve directly a situation which has elements of the so called “stage of high mass consumption”<sup>6</sup>, the MIRAB society in the Cook Islands does not exhibit (and should not be expected to exhibit) any of the familiar indicators of so called “underdevelopment”. Surplus labour is virtually non existent, dualism is muted, “exploitation” is not an issue, and nutritional problems are linked to consumption of luxuries, not malnutrition. In practical terms, the Cook Islands are an offshore New Zealand province, and continue to share in the values and expectations of their mainland dwelling fellow citizens. The question: are the Cook Islands an underdeveloped country? resolves itself very simply into the basic question of whether the Cook Islands are a part of the New Zealand society and economy or not. While the New Zealand connection holds firm (as it has done to date), the Cook Islands are an integral part of a developed economy and society, and have virtually nothing in common with the stereotyped “underdeveloped country”. Destruction of the New Zealand connection, and with it the welfare state in the Cook Islands, would of course change matters radically but until such a change has

actually been imposed in reality, it makes no sense to discuss Cook Islands issues in terms of “Third World” models, and it is unhelpful to promote policies based upon such models.

#### 6.4 Population and Migration

Table 6.1 and Figure 6.2 show population trends over the past century and a half. The nineteenth century de population which was customary throughout the Pacific halted about the time of the 1890s Federation, and during the New Zealand colonial era the Cook Islands passed through the first stage of “demographic transition”<sup>7</sup> with high birth rates and falling death rates. Between 1900 and 1960 the total population approximately doubled, the great bulk of the increase showing up in the Southern Group (including Rarotonga) while total population of the atolls of the Northern Group rose only 50%, mostly during the 1950s.

TABLE 6.1

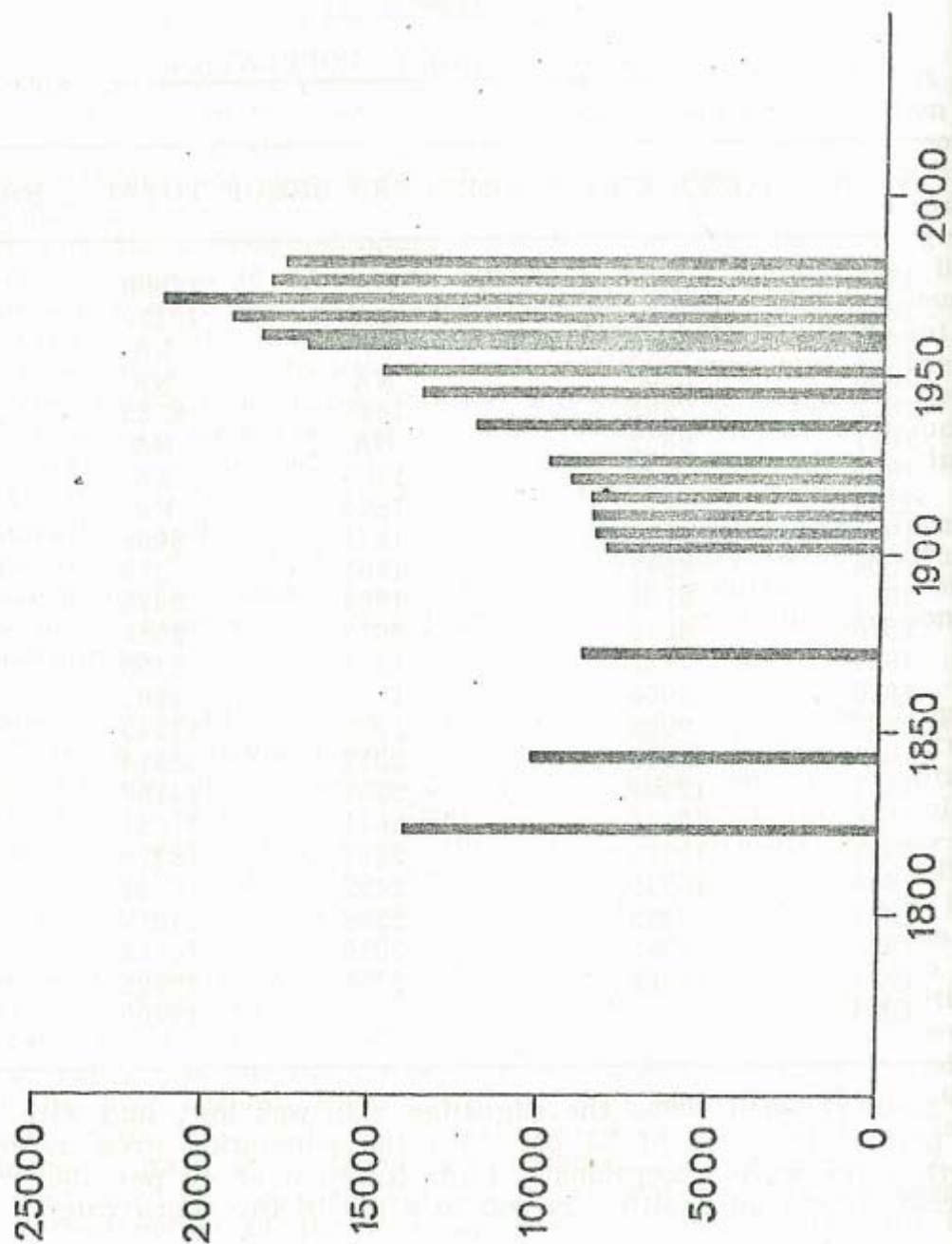
#### COOK ISLANDS: POPULATION

| YEAR | LOWER GROUP | NORTHERN GROUP | TOTAL  | RAROTONGA |
|------|-------------|----------------|--------|-----------|
| 1823 | NA          | NA             | 14,000 |           |
| 1843 | NA          | NA             | 10,250 |           |
| 1845 | 9,760       | NA             | NA     |           |
| 1855 | 8,700       | NA             | NA     |           |
| 1872 | 7,292       | 1,447          | 8,739  |           |
| 1881 | 6,852       | NA             | NA     |           |
| 1899 | NA          | 1,786          | NA     |           |
| 1900 | NA          | 1,864          | NA     |           |
| 1902 | 6,234       | 1,834          | 8,068  | 2,060     |
| 1906 | 6,577       | 1,801          | 8,378  | 2,441     |
| 1911 | 6,791       | 1,684          | 8,475  | 2,759     |
| 1916 | 6,856       | 1,673          | 8,529  | 3,064     |
| 1921 | 7,437       | 1,721          | 9,158  | 3,503     |
| 1926 | 8,066       | 1,735          | 9,801  | 3,936     |
| 1936 | 9,969       | 1,974          | 11,943 | 5,054     |
| 1945 | 11,522      | 2,052          | 13,574 | 5,573     |
| 1951 | 12,396      | 2,361          | 14,757 | 6,048     |
| 1956 | 15,043      | 2,611          | 17,054 | 7,212     |
| 1961 | 15,511      | 2,867          | 18,378 | 8,676     |
| 1966 | 16,819      | 2,432          | 19,251 | 9,971     |
| 1971 | 18,919      | 2,398          | 21,317 | 11,478    |
| 1976 | 16,082      | 2,030          | 18,112 | 9,802     |
| 1981 | 15,366      | 2,264          | 17,695 | 9,530     |
| 1983 |             |                | 17,400 |           |

Up until the mid 1960s the migration rate was low, and with a high rate of natural increase of 23 per 1000 the population grew rapidly. Crude birth rates were exceptionally high (often over 40 per 1000) and in this period, improved health care led to a fall in the death rate.

FIGURE 6.2

COOK ISLANDS POPULATION, 1823-1981



During the 1960s the rate of out migration to New Zealand rose as the population “bulge” of young people born in the post Second World War baby boom led to a large number of new entrants to the labour market for whom local opportunities were few, while the New Zealand labour market was characterised by excess demand and high wages.<sup>8</sup> Overall population growth slowed and then turned negative in the early 1970s due to the heavy out migration accompanied by a fall in the birth rate (Table 6.2).

TABLE 6.2

SOME KEY POPULATION RATIOS

A. Birth rate, Death rate, Migration rate

|                               | 1967-1971 | 1972-1976 | 1977-1981 |
|-------------------------------|-----------|-----------|-----------|
| * Births                      | 4,097     | 2,917     | 2,416     |
| * Deaths                      | 775       | 562       | 683       |
| * Migration                   | 1,247     | 5,549     | 2,166     |
| Crude Birth Rate (%/year)     | 4.3       | 2.7       | 0.75      |
| Crude Death Rate (%/year)     | 0.81      | 0.53      | 0.75      |
| Crude Migration Rate (%/year) | 1.3       | 5.2       | 2.4       |
| Natural Increase (%/year)     | 3.5       | 2.2       | 1.9       |
| Total Increase (%/year)       | 2.07      | 3.19      | 0.48      |

B. Cook Islanders in Group and New Zealand

| Year | Ethnic Cook Islanders Resident in Cook Islands | Cook Island Maoris resident in N.Z. | Total  | N.Z. % | Cook-Islands-born residents of New Zealand |
|------|------------------------------------------------|-------------------------------------|--------|--------|--------------------------------------------|
| 1936 |                                                | 93                                  |        |        | 157                                        |
| 1945 | 13,754                                         | 353                                 | 13,927 | 3      | 393                                        |
| 1951 | 14,757                                         | 1,359                               | 16,116 | 8      | 999                                        |
| 1956 | 16,259                                         | 2,320                               | 18,579 | 12     | 1,992                                      |
| 1961 | 18,378 <sup>a</sup>                            | 4,499                               | 22,877 | 19.6   | 3,374                                      |
| 1966 | 18,301                                         | 8,663                               | 27,010 | 32.1   | 5,838                                      |
| 1971 | 20,355                                         | 13,772                              | 34,127 | 40.4   | 7,389                                      |
| 1976 | 17,325                                         | 18,610                              | 35,935 | 51.8   | 12,156                                     |
| 1981 | 16,435 <sup>b</sup>                            |                                     |        |        | 13,848                                     |

a. Total population

b. “Cook Islands Maori” plus “Cook Island Maori/Other”

c. Sources: Hayes (1982), p.207, Table 5.20: Cols. 1,2,3 and 4, 1936 76. Cook Islands Government Statisticians Office, Cook Islands Census of Population and Dwellings, 1981: Demographic Characteristics of the population of the Cook Islands (December 1982), Table 7, p.13.

By 1971-75 net migration reached an average annual rate of 49.6 per 1000, almost double the rate of natural increase. New Zealand observers, who had viewed the high rate of population growth in the 1950s and 60s with considerable alarm, felt by the 1960s the problem was correcting itself as the outflow gathered pace. Between 1966 and 1981 the annual rate of emigration has fluctuated markedly due to a variety of factors. The average annual rate through the period of 28.4 per 1000 represents a Cook Island Maori outflow of about 600 persons. Some islands that might be considered on some criteria as relatively “underdeveloped” experienced high emigration rates in 1966-81 - Mangaia (50 per 1000), Palmerston (64.5) and Manihiki (64.2). However, the northern atolls which might be considered to be just as deprived, experienced much lower rates - e.g. Pukapuka (21.2) and Tongareva (22.6).

The Escap (1983) Report has argued that the pressure exerted by the extremely rapid rate of natural increase was perhaps the primary cause of the massive emigration of the 1960s. Without the relief of emigration the working age population would have increased by almost 5,300 persons between 1966 and 1976. If 17 is taken as the average age of entering the work force, the number of new entrants per year between 1966 and 1971 would have been 434, rising to 566 in the period 1971-76 and 777 in the years 1976-81 (Escap, 1983:153). Without free entry to the New Zealand labour market the absorptive capacity of the Cook Islands economy and society would have been stretched.

The recent (1977-1982 data) situation is one of a moderate rate of natural increase (1.9% p.a. compared with 3.5% in the late 1960s) and a moderate, but not particularly dramatic, out migration rate of 2.4% p.a., yielding an overall population trend of -0.5% p.a. The present rate of change is probably somewhat smaller than this population, in other words, is virtually static, and the major adjustments of demographic transition and labour export have been followed by what amounts to a steady state. The major concern of the Cook Islands Government, reflected in the strategy of the recently published Development Plan<sup>9</sup>, is that a resumption of growth and employment opportunities in the depressed New Zealand economy may generate renewed depopulation at some time in the future, unless high income opportunities are available at home.

The land area of the Cook Islands is only 240km, and the average density of population reached 89 per sq km by 1971. On such tiny islands with often a high proportion of steep terrain or infertile soils on the atolls, the pressure on available resources increased steadily throughout the 1950s and 1960s. It appears that in this period there was a growing perception that the Islands' capacity to absorb the steady growth in population was becoming severely constrained. However, it is argued in this report that the “pull factors” were dominant in explaining out migration after World War II as horizons broadened, the pace of social change quickened and the islands became increasingly enmeshed in the economic growth pole zone based in New Zealand.

Contributory “push factors” are the stagnation of agriculture under the village mode of production and the extreme fractionalisation of land ownership rights. Hayes has shown how demographic factors placed increased pressure on the village mode of production and family structure to meet the new needs. With women bearing an average of 7 children during their lifetime and most of these now surviving into adulthood, more children would have to share in the father's plot of land. And with increased longevity, the children would have to wait

longer in the village (if they decided to wait) before succeeding to ownership rights of productive resources. The low profitability of agriculture based on citrus, tomatoes and pineapples in the 1960s and 70s acted as a further push factor as did the general instability of prices and the chronic difficulties and irregularities of ship transport. Finally, the increasing alignment of the secondary school curriculum to that of New Zealand and the clear escalation of local aspirations towards finding jobs that were unlikely to eventuate in the Islands but could be found on the mainland (see Hayes aspirations survey 1980) provided additional inducement to leave.

Throughout the whole period however, the great underlying factor enabling the migration movement to occur, was the possession of New Zealand citizenship and open access to New Zealand. Undoubtedly one of the strongest of all “pull” factors was the buoyant economy and rapid industrial expansion in New Zealand beginning with the high wool prices of the 1950s.<sup>10</sup> There was a strong demand for Cook Island labour at wage rates four or more times those prevailing in the Cook Islands in similar occupations (Escap 1983): Table 101). Douglas (196 ) and Curson (1970 and 1973) have shown that higher incomes, the prospect of achieving substantial savings with a view perhaps to later investments back home, and the appeal of high living standards were major factors in the movement. The desire too to take advantage of the better quality of education available in New Zealand is an oft recurring reason for movement. While the motives in the earlier period appear to be primarily economic, from the 1960s onward chain migration has become more and more characteristic. In this phase, the primary aim (as well as the mechanism) of moving to New Zealand, is to join a brother, son or sister etc. who has travelled a year or two earlier. Now kinship and social factors are primary, and intermediate obstacles that had provided difficulties lose much of their force: the passage money can be provided by relatives in New Zealand, accommodation for some weeks or longer, job promises and the psychological as well as social support that provides a buffer to the shocks of adjustment to a new society. Finally the availability of transport after 1973 when the Rarotonga international airport was opened greatly stimulated migration.

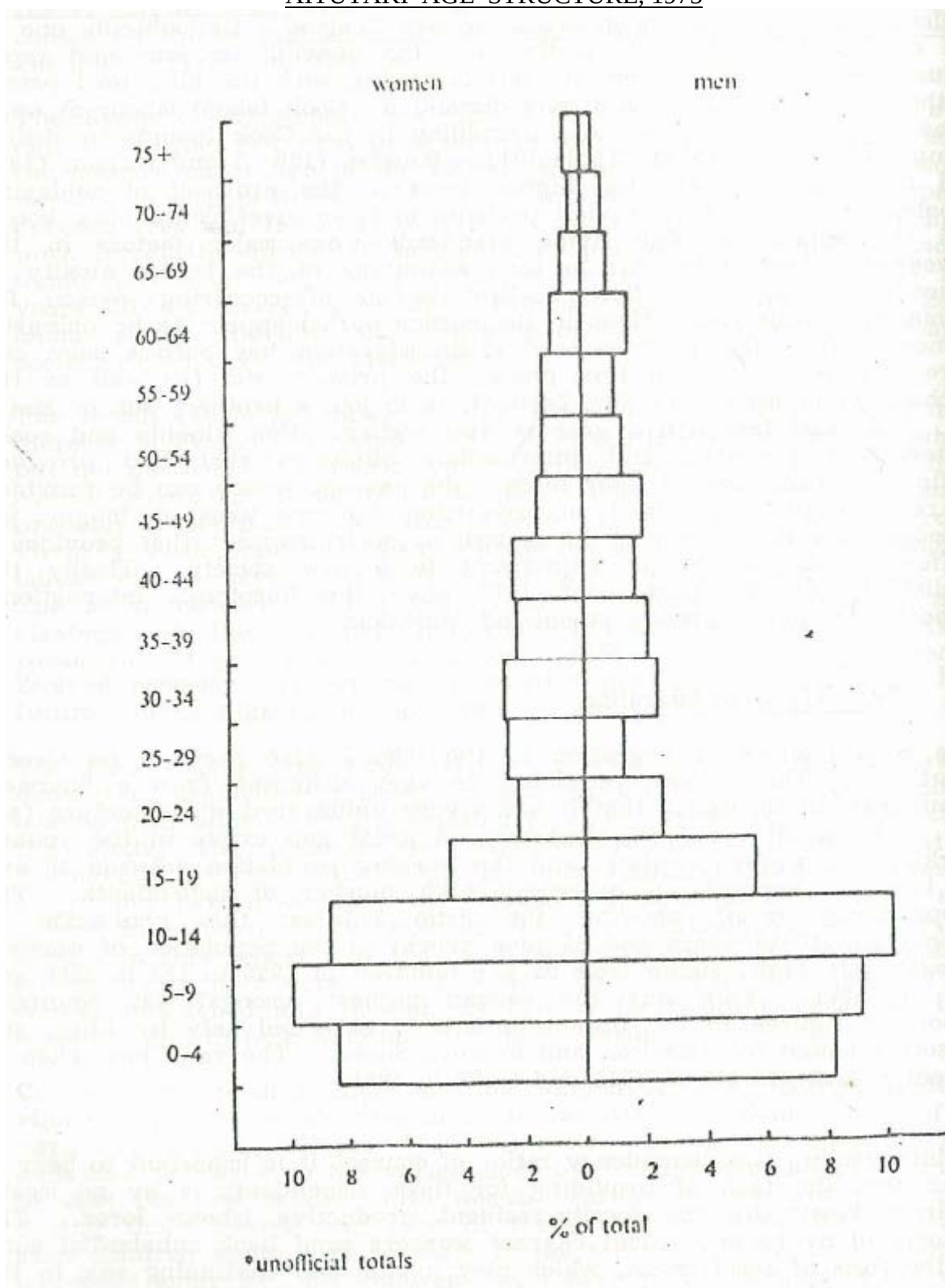
## 6.5 The Effects of Migration

The consequences of migration in the islands also need to be clearly identified. The society remaining is very different from a “normal” population, in the sense that it has a very unbalanced age structure (see Fig. 6.2 and Fig. 6.3 on Aitutaki). A great gap exists in the young, working age groups (mapu), and the working population between 15 and 64 have to support an extremely high number of dependents. The “dependency ratio” showing the ratio between this population of dependents (0-14 years and 65 plus years) to the population of workers is extremely high, rising from 95 per hundred in 1956 to 123 in 1966 and 121 in 1971. This was the second highest amongst 130 countries reporting figures to the United Nations<sup>11</sup>, exceeded only by Niue, and closely followed by American and Western Samoa. The ratio has fallen in recent years - to 116 in 1976 and to 92 in 1981.

In interpreting the dependency ratio, of course, it is important to bear in mind that the task of providing for these dependents is by no means entirely borne by the locally resident productive labour force. The cohorts of overseas resident migrant workers send back substantial sums in the form of remittances, which play a vital and continuing role in the Cook Islands economic system.

FIG 6.3

AITUTAKI AGE STRUCTURE, 1975





Hayes<sup>12</sup> has estimated that in the 1970s the amounts remitted from New Zealand to the Cook Islands were virtually equal to the value of the additional production which those workers could have generated had they remained in the Cook Islands. Since remittances absorbed roughly 10% of the pre tax earnings of Cook Island workers in New Zealand, there can be no doubt that those workers' ability to contribute to the support of dependents was increased by their decision to migrate. (That is, the lower "dependency ratio" which would have resulted had those Cook Islanders not migrated, would have been offset by their reduced economic capacity to support dependents out of current incomes).

A second qualification which must always be made to census data in partly subsistence societies is that not all those registered as "dependents" in terms of census categories are in fact non productive. Many children and old people work part time in various areas of subsistence activity, so that the actual dependency burden represented by a given "dependency ratio" tends to be relatively lower in such societies than in fully specialised wage labour systems. This amounts to saying that the impact on local production of the out migration of working age people is mitigated in settings such as the Cook Islands by the greater flexibility of production systems in the village mode.

Nevertheless, it is true that out migration in the Cook Islands probably created labour shortages in certain areas of activity - particularly those in the sphere of commercial agriculture and industry. In the absence of out migration, the swelling population of working age during the 1960s and 1970s would have depressed real wages and facilitated labour recruitment for capitalist type ventures. In the event, no such reserve army has been available to date, which has mitigated the impact of government policy on wages (see below).

Naturally, if we treat the Cook Islands economy as totally separate from that of New Zealand, the out migration will appear to involve a loss of productive capacity. Although some of the migrants (about 40% of males in the 1970s) appear to have been unskilled, and hence might be portrayed as "surplus labour" being drained off from an economy with limited absorptive capacity, Hayes has noted the substantial transfer of skilled labour categories to New Zealand:

"The image of unskilled labourers and/or agricultural workers streaming out of rural into urban occupations is partially accurate, but a large number of "urban" occupations are present here as well. Surveyors, health inspectors, laboratory technicians, administrators, radio operators, plumbers, planters, all these occupations and more are present in the emigrant stream. In other words, this is not simply a case of an exodus from agricultural occupations"<sup>13</sup>

The drain of manpower thus also included talent; leadership was lost as well. Hayes' interviews indicated that a greater proportion of the most advanced school leavers, with higher educational levels, emigrate.

With the loss of mapu the amount of land under cultivation shrank. Informants told the Graves that on Aitutaki in 1974 the amount of cultivated land was only about one third of the area in the 1950s<sup>14</sup> (There would appear to have been a significant increase recently with the boom in banana production in the late 1970s).

Socially too the effects are marked: there are poor attendances at village meetings and voluntary work groups. There has been a decline in the members of sports teams and some villages have found it hard to put a dance team together.

Psychologically too, it has been suggested that the islands have changed over the last 30 years, with the modal personality turning away from co operation and generosity towards greater individualism and rivalry. Thus, few mapu boys participate voluntarily in community work, and fines for not attending have no effect. Well over half of the families were nuclear in form by the early 1970s and many parents worry that all their children will go away and leave them destitute.

Whether all of these changes can fairly be attributed to migration is an open question. To a considerable extent migration itself was part of a wider pattern of social adjustments of which these other trends also formed part. In particular, the decline of production in the Cook Islands during the 1970s<sup>1</sup> reflects the fact that in the context of the New Zealand economy of which the Islands form an integral part, local productive activities generally suffer from absolute disadvantage and hence are unable to offer employment on terms which might have been attractive to skilled Cook Islanders. Migration and falling production are thus two faces of the same coin; it is not possible to say that either “caused” the other.

As migration slowed in the late 1970s and early 1980s (see Table 6.2 above), the locally resident labour force has again been increasing and in the next few years may return to the peak level of 1971. Whether these new entrants to the labour market remain in the Group or move to New Zealand will depend mainly on trends in the New Zealand economy, and to a lesser extent on trends in disposable income available in the Islands. Policies of “people conservation”, seeking to maintain more “balanced” age structures and the demographic basis for integrated community life, will require either continuing recession and high unemployment in New Zealand, or an increased level of subsidy to otherwise unprofitable economic activities in the Group. The present steady state in the migration/population balance reflects an equilibrium adjustment to a situation where the New Zealand economy has not grown significantly for a decade and where, therefore, it has been possible to hold or reduce the levels of subsidy to the Cook Islands. In the event that New Zealand resumes rapid growth, then (in the absence of some unforeseen boom in the Islands) the rational response for Cook Islanders is likely to be renewed migration, unless the New Zealand Government considers that there are adequate reasons of social policy for raising the present level of subsidy to disposable incomes in the Islands.

(It may be noted that the main policy option currently under discussion in this area, namely portability of National Superannuation, would have its impact upon “dependent” groups rather than working age Cook Islanders; the predicted effect of this policy innovation on its own would be to raise the demographic dependency ratio in the Islands, and convert the migration process from one of permanent movement to one of “circular migration”, with more migrant workers returning home to retire. A probable corollary would be an increase in the level of remittance flows from New Zealand to the Cook Islands, since migrants committed to eventual return would perceive greater returns from the investment in goodwill and family infrastructure. Only the most marginal impact on working age migration would be likely to result, however.)

## 6.6 The Economy

During the last three decades the Cook Islands have passed through an economic transition from a primary product export economy at a low to moderate level of income, to a services dominated import economy at relatively high standards of living. The decline of onshore production has proceeded hand in hand with a rise in onshore incomes, both being related to the rise in offshore productive activity by migrant labour. The consistent thrust of official policies on economic development throughout the period has been the encouragement of commercial onshore productive activity; the consistent failure of “development” conceived of in this way has resulted in official perceptions of the economy as “fragile” and “unstable”. Neither term applies to economic reality in the Cook Islands; both apply aptly, however, to the structure of economic analysis on which established policies were based until recently.

The strictly limited scope of commercial productive activity arises from the operation of the mechanism described in the 1950s by Gunnar Myrdal as “backwash”<sup>15</sup>. The Cook Islands economy is closely integrated with New Zealand by monetary, migration and trading linkages. This integration is characterised by a set of circumstances which enhance onshore incomes and the quality of life in the Group, while rendering commercial production unprofitable outside a few limited enclaves. Monetary integration with New Zealand has committed the Islands to the overvalued exchange rate policies of successive New Zealand Governments, which in turn has helped to render the Group uncompetitive in overseas markets other than New Zealand. Subsidised transport partly overcomes the natural protection which distance would normally afford to local manufacturing activity in an economy as isolated as are the Cook Islands. At the same time, transport modes and schedules are adapted to the encouragement of tourism and imports rather than commodity exports, and transport bottlenecks play a large part in forming the (generally pessimistic) expectations of potential and actual export producers. Migration to New Zealand is facilitated by an education system which enables Cook Islanders to fit easily into the New Zealand labour market, and by the maintenance of New Zealand citizenship, with its concomitant right of free entry to New Zealand. The government sector, modelled upon the New Zealand one and heavily (though decreasingly) financed by New Zealand, provides better employment opportunities than the private sector, and attracts the best of the locally resident labour force into tenured posts with union representation through the PSA. Private sector unions have been almost entirely suppressed (the waterfront workers offer the sole exception) but the consequent low wage environment provides little assistance to private sector profit rates in the absence of a reserve army of labour, since only unskilled and relatively low calibre workers are available for recruitment at wage rates below those obtainable in the public service or in New Zealand.

Commercial activity in this environment is mainly concerned with trading activities, tourism services, and exploitation of the short run and short lived opportunities offered by recurrent cycles of “new export products” from the agricultural sector. These last provide the basis for a gradually emerging small class of full time commercial horticulturalists, but offer no prospect (or threat?) of a wider agricultural transformation.

The overall picture, viewed from the perspective of the individual islander or island household (which seems the most appropriate of several alternative viewpoints for us to adopt in assessing “development”) is thoroughly satisfactory. Living standards are comfortable, and conspicuously good by comparison with many other Pacific island countries. Subsistence

agriculture has remained sound, providing an assured basis to the local diet at low monetary cost. Destitution is virtually unknown because of the continuing extended family structure and access to wage opportunities in New Zealand. Standards of education and health are in general comparable, if not fully on a par, with those in mainland New Zealand. A cohesive value system focussing on the church and the family is still strong, and local culture and society have largely escaped the fate of the more money swamped societies of French Polynesia or Nauru. Self government has succeeded in providing a functioning and locally directed administration.

The past two decades of self government, in other words, have seen the central aspirations of most Cook Islanders realised. Village life remains intact, living standards have risen, links with New Zealand have been maintained, and the social climate has, if anything, improved. Political factionalism, Air New Zealand obduracy, competition from Asian canned pineapple, and the somewhat lagged impact of the New Zealand inflation rate, are minor irritants compared with the achievements.

It is perhaps inevitable that this picture should arouse the ire of those commentators to whom “dependence” in any form is anathema. An inordinate amount of attention is consequently paid by policymakers and observers to one of the less important and least successful sectors of the economy – export agriculture – the performance of which is usually (and incorrectly) mis-read as an indicator of the “health” of the overall economy. The constant travails of the uncompetitive, but erratically spoonfed, cash cropping sector, perform the useful function of legitimating official financial transfers from mainland New Zealand under the inappropriate title of “development aid”, and provide meaningful and active employment for a large part of the local public service.

The three main pillars on which the present economic system rests – New Zealand citizenship, New Zealand aid, and tourism – all appear both solid and sustainable. The first two in particular, underpinned as they are by solid ties and binding political undertakings, offer a considerably firmer economic base than any likely to be found in international commodity markets, and cushion the Cook Islands economy from the instability which is characteristic of other less open Pacific economies, whose international economic relations are confined to commodity trade across defined national frontiers.

## 6.7 Structural Long run Trends

Long run data series of acceptable reliability are available for export and import trade, government finance, population, and occupational structure. Data on gross domestic output and national income are spotty and of doubtful reliability, which is normal for economies dominated by the subsistence and service sectors (since the great bulk of the GDP valuation rests upon imputed valuations of non quantified magnitudes). Income distribution data (particularly inter island comparative figures) are remarkably scarce, and virtually nothing can be said at present about trends in relative incomes among the islands of the Group, although there are some grounds for supposing that the dominance of Rarotonga in the early 1960s has been reduced over the past two decades.

## 6.8 Labour Force and Occupation Structure

The impact of migration on the size of the total labour force and the shift in the structure of the economy away from agriculture towards service occupations, is shown in Table 6.3. It is notable that the 1976 and 1981 censuses record an upturn in the economically active population, from 5113 in 1976 to 5820 in 1981. The Development Plan 1982-1985, however,<sup>16</sup> gives figures of 4945 for 1976 and 4333 for 1981. The main error seems to be the Plan's use of a massive under estimate for 1981 agricultural employment, and its failure to utilise the 1981 census provisional results which had been available for a year by the time the Plan was published in early 1984. The error is significant, as the Plan's figures give a completely false impression of the trend in active labour force since 1976, and thereby create an unjustifiably pessimistic view of the migration problem.

The structural transition from a “producing” to a “service” employment structure took place between 1945 and 1971, since when there has been virtual stability in the share of tertiary employment. Over the decade 1971-1981 the main apparent trend is a decline of manufacturing and construction employment (due to the ending of airport construction, the rundown of fruit processing, and the decline since reversed, of clothing manufacture offset by a recent resurgence of agricultural and fishing employment).

Comparison of the 1976 and 1981 censuses suggests that the earlier trend towards concentration of the Cook Islands labour force in Rarotonga has largely ceased. Hayes<sup>17</sup> in 1979 drew attention to the falling share of the outer islands in the total actively engaged work force, from 41% in 1966 to 33% in 1976. By 1981, however, the share had returned to 40%, with most of the increase concentrated in the outer islands agricultural and fishing sector. It is difficult to know how this should be interpreted as a sign of agricultural “involution” on the outer islands as external opportunities for out migration decreased; or as a sign of a genuine revival of agricultural activity; or both. The central point, however, is clear: the great era of in migration to Rarotonga, with the lure of jobs in an expanding public service, is over. Indeed, the past decade has seen an expansion in the public service on islands such as Aitutaki, while public service employment in Rarotonga appears to have fallen.

TABLE 6.3

OCCUPATION STRUCTURE, 1946-1981

Economically Active Population Engaged in:

| Year           | Agriculture & fishing |       | Manufacturing & construction & quarrying |       | Services |       | Other |     | Total labour force |
|----------------|-----------------------|-------|------------------------------------------|-------|----------|-------|-------|-----|--------------------|
|                | %                     | No    | %                                        | No    | %        | No    | %     | No  |                    |
| <u>MALES</u>   |                       |       |                                          |       |          |       |       |     |                    |
| 1945           | 84                    | 3,048 | 2                                        | 68    | 11       | 398   | 3     | 112 | 3,626 <sup>a</sup> |
| 1961           | 74                    | 3,362 | 3                                        | 148   | 23       | 1,022 |       | 5   | 4,537 <sup>a</sup> |
| 1971           |                       |       |                                          |       |          |       |       |     |                    |
| 1976           | 31                    | 1,145 | 13                                       | 483   | 50       | 1,852 | 6     | 209 | 3,689              |
| 1981           | 35                    | 1,429 | 13                                       | 518   | 49       | 1,971 | 3     | 133 | 4,051              |
| <u>FEMALES</u> |                       |       |                                          |       |          |       |       |     |                    |
| 1945           | 37                    | 225   | 24                                       | 145   | 14       | 85    | 25    | 150 | 605 <sup>a</sup>   |
| 1961           | 1                     | 13    | 30                                       | 321   | 69       | 738   |       | 0   | 1,072 <sup>a</sup> |
| 1971           |                       |       |                                          | 0     |          | 0     |       | 0   |                    |
| 1976           | 2                     | 22    | 23                                       | 323   | 65       | 932   | 10    | 147 | 1,424              |
| 1981           | 15                    | 268   | 12                                       | 204   | 66       | 1,168 | 7     | 119 | 1,759              |
| <u>TOTAL</u>   |                       |       |                                          |       |          |       |       |     |                    |
| 1945           | 77                    | 3,273 | 5                                        | 213   | 12       | 483   | 6     | 262 | 4,231 <sup>a</sup> |
| 1961           | 60                    | 3,375 | 8                                        | 469   | 32       | 1,760 |       | 5   | 5,609 <sup>a</sup> |
| 1971           | 23                    | 1,421 | 21                                       | 1,321 | 54       | 3,364 | 3     | 163 | 6,269              |
| 1976           | 23                    | 1,167 | 16                                       | 806   | 54       | 2,784 | 7     | 356 | 5,113              |
| 1981           | 29                    | 1,697 | 12                                       | 722   | 54       | 3,139 | 4     | 252 | 5,810              |

a. Total population 15 and over, includes those “not gainfully employed”.

Sources: 1945 and 1961 from Cook, J.G., Labour and Employment in the Cook Islands, Department of Internal Affairs, 1968, pp. 2-3.

1981 from Cook Islands Government Statistics Office, “Economic Characteristics of the Population of the Cook Islands Provisional Data”, January 1983, pp. 7-8.

1971 from Hayes, G.R., “Employment and Occupational Trends in the Cook Islands 1966-1976, Cook Islands Government Statistics Office, Occasional Paper No 2, 1979, p.6.

1976 from Census of Population and Dwellings, 1976, Table 13.01.

TABLE 6.4

RAROTONGA VERSUS THE REST

| Year | Economically Active Population |               |       |             | Total Population |               |       |             |
|------|--------------------------------|---------------|-------|-------------|------------------|---------------|-------|-------------|
|      | Rarotonga                      | Outer Islands | Total | Rarotonga % | Rarotonga        | Outer Islands | Total | Rarotonga % |
| 1945 |                                |               |       |             | 5573             | 8515          | 14088 | 39.6        |
| 1961 |                                |               |       |             | 8676             | 9702          | 18378 | 47.2        |
| 1966 | 3229                           | 2197          | 5426  | 59.5        | 9972             | 9276          | 19247 | 51.8        |
| 1971 | 3849                           | 2420          | 6269  | 61.4        | 11478            | 9845          | 21323 | 53.8        |
| 1976 | 3409                           | 1704          | 5113  | 66.7        | 9802             | 8326          | 18128 | 54.1        |
| 1981 | 3487                           | 2323          | 5810  | 66.0        | 9530             | 8224          | 17754 | 53.7        |

Sources: Hayes (1979), pp.7-8; and 1981 Census Publications CPD5 82 and CPD9 82 for economically active population.

Development Plan 1982 1985, Table 4.1, p.21 for total population. Note discrepancies between these figures and our Table 16.1.

## 6.9 Export and Import Trade and the Economy

At the beginning of our discussion of the balance of payments it is worth quoting the sentence which opens the Development Plan's chapter on Finance<sup>18</sup>:

“Foreign exchange is not a constraint in Cook Islands development nor is it likely to be in the foreseeable future so long as present banking and financial arrangements continue between the Cook Islands and New Zealand.”

This accurately captures the central reality of the Cook Islands balance of payments. The great bulk of both export and import trade is with New Zealand, and these transactions take place in New Zealand currency. The Cook Islands no more suffers from any “foreign exchange deficit” in dealings with its major trading partner than do Masterton or Kaitaia in their dealings with the rest of New Zealand. The assumptions with which observers are prone to approach the analysis of independent nations' balance of payments are therefore inappropriate in the case of the Cook Islands. In particular, it is quite incorrect to deduce from an excess of imports over exports that there is any need to “build up exports in order to “pay for” the imports. Any increase in export earnings will generate a matching increase in import purchases, unless at the same time some other source of income for Cook Islanders (such as private remittances or public sector transfers) is reduced. The trade figures are therefore useful as an indicator of the evolving structure of the economy; but they do not serve to reveal any emerging “crisis” requiring a remedy.

Having made this point (to which we return below), we introduce in Table 6.5 the total export and import data for the period since the Second World War. Figure 5.2 provides a graph of annual data back to 1893, converted to 1982 New Zealand dollars using the New Zealand consumer price index. The data thus represent the real purchasing power in New Zealand of the Cook Islands' exports for each year, and the real equivalent in New Zealand of the purchasing power surrendered in order to purchase imports. This method of deflation is admittedly crude, but it serves the purpose we have in mind here – namely a comparison of the balance of trade over time. The trade statistics used have been the subject of some criticism by various commentators.<sup>19</sup> Most criticism has focussed on the import figures (export data appear to be more reliable, and are on a consistent FOB basis). The problem appears to be that import trade tends to be under reported in the official published figures – both because goods imported by Government Departments are often excluded from the statistics and because until the last few years, values tended to be recorded FOB rather than CIF. Both these criticisms apply most strongly to the period between 1966 and 1975 (when, as can be seen from Figure 5.2, our data are obviously somewhat erratic). Neither of them, however, affects our analysis of the basic trends; purists should simply read Figure 5.2 in the knowledge that the import series are lower bound if anything.

TABLE 6.5

THE COOK ISLANDS BALANCE OF TRADE, 1945 1983

000NZ Dollars deflated to 1982 constant dollars

| Annual averages |                |                     |                  |                                       |
|-----------------|----------------|---------------------|------------------|---------------------------------------|
| Period          | Exports<br>FOB | Imports             | Balance 1 -<br>2 | Trade<br>“deficit” as %<br>of imports |
| 1930-39         | 2,293          | 2,324               | -3               | 1.3                                   |
| 1945-49         | 3,285          | 5,335               | -2,050           | 38.4                                  |
| 1950/55         | 5,572          | 9,243               | -3,671           | 39.7                                  |
| 1955-59         | 6,431          | 10,188              | -3,757           | 36.9                                  |
| 1960-65         | 8,506          | 13,438              | -4,932           | 36.7                                  |
| 1965-69         | 9,864          | 16,360              | -6,496           | 39.7                                  |
| 1970-75         | 8,638          | 20,524 <sup>a</sup> | -11,886          | 357.9                                 |
| 1975-79         | 5,413          | 32,345              | -26,932          | 83.3                                  |
| 1980-83         | 5,199          | 27,346              | -22,147          | 81.0                                  |

a. 1970, 1973 and 1974 only.

Source: Working paper, “Some Long Run Data Series for Five Pacific Micro economies”.

The story told by Table 6.5 and Figure 5.2 is straightforward. Three periods stand out: first, the pre World War II era of equality between reported imports and exports; second, the years from 1942 to 1964, when the Cook Islands ran an apparent excess of imports over exports amounting to 40% of total imports, but with strong growth of both export earnings and import



purchases; and thirdly, the period from 1970 to 1983, when (after five years of virtual stability) there occurred a strong rise of imports accompanied by a steady decline in export earnings. By 1983, “real” export earnings had fallen back to the 1950 51 level, while imports were three or four times their level at that time.

What this amounts to is that commodity exports have lost their previous role as the driving force in the Cook Islands economy. Prior to the War the Cook Islands had a fairly stagnant export economy characterised by occasional boom periods (around 1910, and in the 1920s). After the war, material living standards were driven steadily up by a combination of export growth, government spending, and private remittances from emigrant labour. At the end of the 1960s, exports dropped out of the group of “leading sectors”, leaving the economy to be driven through a further decade of rapidly rising living standards by government spending, remittances, and a new source of “invisible” earnings, tourism.

In the early 1980s, it appeared that exports had bottomed out, while imports were against some sort of ceiling. With population more or less constant, and enough continuing out migration to make up for “depreciation” of the economy's investment in New Zealand resident human capital, the situation is now one of stable equilibrium, which can be sustained for as long as the five props of material living standards – subsistence agriculture, commodity exports, tourism, remittances, and government transfers – remain unchanged. Changes in any of these would induce a series of adjustments in the Cook Islands economy; the nature of those adjustments would of course depend on which of the five changed, and in which direction. It is worthwhile, therefore, to look at each of the five in turn, and make some attempt to describe its linkages to the total system. This is done below. In summary, the adjustment mechanisms which are of most concern to policymakers are: (a) out migration (if local conditions of life deteriorate relative to those in New Zealand); (b) decline of subsistence agriculture (if income from exports and “invisibles” rises towards or beyond the Nauru threshold); (c) further decline in export performance (if the “wedge” of invisible inflows increases); and (d) financial crises for the Cook Islands Government if its attempts to stem (a), (b) and (c) outrun the willingness of the New Zealand Government to pick up the tab. (In each of the above four cases, the adjustment is of course reversible – i.e. in migration, agricultural involution, export growth, and government cash surpluses are all equally possible. In each case, the necessary resources exist at the margin: a large pool of Cook Islanders in New Zealand, reserves of agricultural land, and a world financial market which has been only lightly tapped to date).

#### 6.10 Export Production and Earnings

Export production in the Cook Islands falls into three categories. The first is the gathering and minimal processing of natural products of the Group: examples are the old export staple, copra, and the harvesting of lagoon products such as pearls, pearl shell and beche de mer. The second category is commercial agricultural production from smallholdings, destined for central processing/marketing firms: major examples are citrus, pineapples, bananas and pawpaw. The third category is manufactured exports, mainly clothing and footwear, produced in plants of medium scale (10 100 employees), utilising labour intensive technology and drawing on the limited labour surplus pool of female workers available on Rarotonga.

Figure 6.4 shows the changing composition of exports over the period 1948-1983. It is immediately obvious that the most consistent (though undramatic) growth sector over the long term has been apparel – clothing and footwear for the New Zealand market. Fruit and vegetables (both fresh and canned) were however the mainstay of export earnings until the mid 1970s, and it is the decline of processed fruit which has been the main reason for the fall in total export receipts over the past decade. Table 6.6 gives the same information by five year periods for the main commodities.

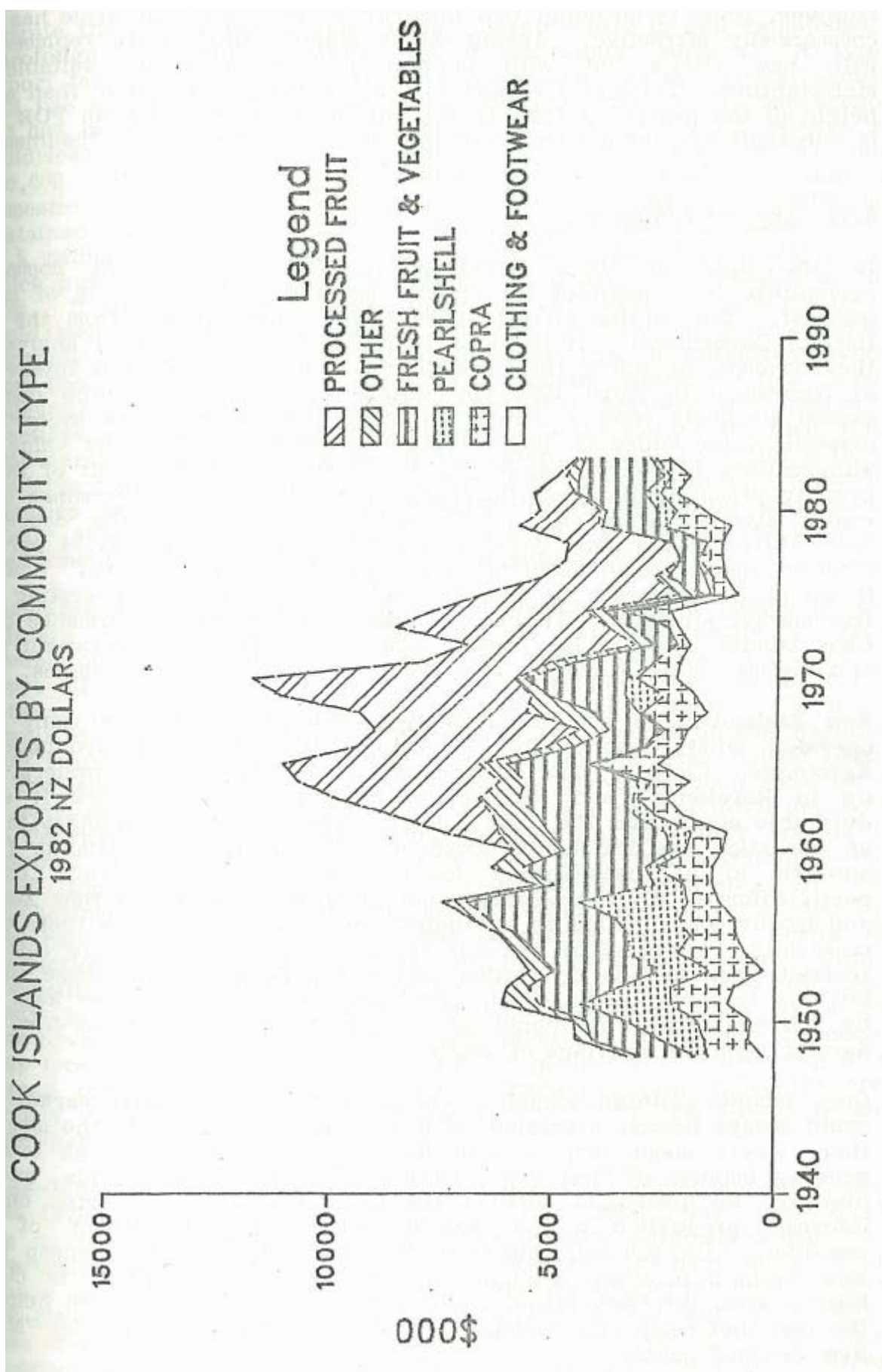
In terms of the three broad categories outlined above, it is possible to trace a succession of export products from copra and pearlshell (which together accounted for about half of total exports in the early 1950s) to the fresh fruit and processed fruit trade (which provided 55% of export earnings in the early 1960s and over 60% in the 1970s) and most recently clothing, pawpaws and specialty vegetable lines sent by airfreight (which account for roughly 60% of export earnings in the early 1980s). For the 1983 calendar year apparel was up to 48%, pawpaws and specialty horticultural lines 29%; while other fresh fruit was down to 6% and processed fruit 1%. The dramatic scale of these swings and roundabouts effects contrasts in a striking manner with the much smaller fluctuations of total export earnings; as Fairbairn has noted<sup>20</sup>:

“Given the degree of fluctuation experienced by individual export products, aggregate export earnings of the Cook Islands ... until recently display an unusual degree of stability.”

At first sight it is not clear whether the mutually offsetting character of export product cycles is pure chance or reflects resource reallocation backwards and forwards as relative opportunities shift. The consistency of the pattern over time, however, and the prevalence of the same phenomenon in Niue (see Chapter 7), suggests the latter. The Cook Islands and Niue share a tendency to exhibit rapid rates of growth in individual export products, counterbalanced by equally rapid declines in others; the considerable importance of government policy in the promotion of commercial activity suggests that a partial explanation may be found in the shifting interests of policymakers as much as in changing circumstances in the main markets.

The decline of citrus on Rarotonga opened the way for a swing into a new generation of cash crops (and indeed, the new opportunities associated with the latter had a good deal to do with the decline of the former!). Following the opening of the new airport in 1974 there was an immediate surge in experimental shipments of new horticultural products – avocados, capsicums, beans, pawpaws, and similar crops. The Civil Aviation Agreement with New Zealand was the key to success in the new boom products: wide bodied jet service, schedules to Auckland, and air freight rates (currently around \$0.90 per kilo) were all matters for negotiation between the Cook Islands and New Zealand Governments. Air New Zealand's service to the Islands still remains one of the most widely discussed political issues, as does the N.Z. Ministry of Transport's management of Rarotonga Airport. Growers of the new crops did not have to pay for the massive infrastructural investment in the airport, nor for its current operating loss. With the infrastructure provided, however, there is no doubt that horticulture on a moderate scale has been commercially attractive.

FIGURE 6.4



Ageing citrus stands, thus, were replaced not with new citrus but with pawpaw and other crops suitable for airfreighting. Total FOB export values, certainly, are lower than at the height of the processed fruit trade; but the grower's share in FOB value is substantially higher because of the absence of the factory "middleman".

#### 6.11 Apparel Industry

In the light of these largely policy induced swings in commercial agriculture the record of the apparel manufacturing sector is of special interest. This sector attracts very little policy support from the Cook Islands Government – it is virtually ignored in most official analyses of the economy, including the Development Plan<sup>21</sup>, and officials interviewed in Rarotonga in April 1984 (by which time apparel was the dominant export product) were generally slighting, referring to the sector's low domestic value added (widely estimated at about 25% of export value) and vulnerability to policy changes in New Zealand. In the light of the low priority given by the local Government, the long run performance of the sector attracts attention, as a possible candidate for the description "competitive". Certainly it benefits substantially from the \$1.34 per hour minimum wage rate in Rarotonga and high labour productivity. However, it would be incorrect to see the clothing industry as operating in a free market situation. The key to the existence and performance of the Cook Islands industry is a combination of New Zealand government policy and the marketing strategies of a few large New Zealand companies.

New Zealand firms such as Woolworths/McKenzies have for many years operated what amounts to a "putting out" system of production in Rarotonga. Cloth is imported from cheap (usually Asian) suppliers, made up in Rarotonga, and shipped on to New Zealand, where it enjoys duty free entry from the Cook Islands. The keys to profitability in such an operation are the landed cost of cloth in the Cook Islands (which appears to be considerably lower than in New Zealand, due to partly informal tariff concessions not available in mainland New Zealand) and labour costs, which as just noted are substantially below those on the mainland. Distance from the market, and concentration on low cost lines restrict Cook Islands production to the non fashion high volume market; but the transport costs which might have been crippling are kept down by the availability of subsidised shipping (the Cook Islands Niue Joint Service) and the shortage of south bound cargoes.

Cook Islands clothing occupies a niche in the New Zealand market which could always become precarious if it were too noticeable. In the late 1940s there was a major dispute with New Zealand clothing unions over the growing imports of "low wage" clothing from the Cook Islands, and this pressure for protection against the Cook Islands was averted only by informal production limiting arrangements, and the onset of boom conditions with full employment in New Zealand. The 1976 slump in the New Zealand economy brought an immediate sharp cutback in clothing imports from the Cook Islands, and the recent revival has been helped by the fact that much of the clothing produced in Rarotonga carries "Made in New Zealand" labels.

Ownership of the clothing factories is expatriate or overseas (New Zealand), although the (local) Ingram family owned two factories for much of the 1970s, and sold out in the early

1980s in response to low profit margins (since Cook Islands companies are very much at the mercy of Auckland buyers).

Despite the official reservations apparel manufacture is well established in Rarotonga and exhibits every sign of continuing success. A typical export factory visited in April 1984 was employing 35 machinists, a cutter and two assistants, and paying out \$5,000 per week in the local economy (\$3,000 in wages, \$500 on power and transport, \$1,500 on salaries and sundries). The value of its production appeared to be in the range \$20,000 - \$25,000 per week, confirming the estimate of around 25% domestic value added provided by Government officials. With local "retained value" of this magnitude, the apparel industry's export value of \$2.5 million in 1983 translates to roughly \$650,000 of local payments which puts this sector in the same league as bananas and pawpaw at their best. It would seem, therefore, that more analytical and policy attention could well be paid to the apparel industry; certainly if New Zealand is seriously interested in assisting in the promotion of commodity exports from the Cook Islands this is the most obvious sector for New Zealand policymakers to focus on, since protectionist barriers and restrictive practices in New Zealand are the limitation on the market for Cook Island producers. The unknown factor is the extent of the labour force that is available for an expansion of the sector in the Cook Islands; the existing factories appear to encounter no difficulty in recruiting and holding labour at the prevailing wage rate, but any substantial expansion of employment might well encounter a labour supply constraint.

Reviewing the trends in overall export performance, a couple of clear pointers seem to emerge. The first is that the surge of export production in the 1950s and 1960s was a Rarotonga Aitutaki phenomenon above all, with a minor role for Mangaia pineapple. Just as the balance between the outer islands and Rarotonga Aitutaki shifted in the latter's favour during the export boom years, so the decline of the Rarotonga fruit trade has contributed to the redressing of the inter island balance in the last decade or so. At the same time there has been some revival of pearl shell production (mainly on Manihiki) and also of pearl production on Penrhyn, while copra producing capacity on the outer islands has remained fairly constant over time (see Table 6.7), with a ceiling of about 1,700 tonnes in good years. The recent reorganisation of copra purchasing (with the Government run marketing board now replaced by a cooperative system offering prompt payments in cash) means that production will probably hold up in the Northern Group. Coconut harvesting in the outer islands of the Southern Group, meantime, seems likely to receive a boost in the near future from plans by a Niue entrepreneur to open a coconut cream plant on Rarotonga, processing nuts from the Southern Group. All of this implies some broadening of the spread of export earnings away from Rarotonga, reinforcing the trend already noted for the dominance of Rarotonga in the Group to drop somewhat.

A second point is that the peak level of export earnings achieved around 1965-1970 (in the vicinity of \$10 million in 1982 dollars) probably indicates the maximum attainable return from the Group's natural resource based productive activity in the absence of some revolutionary shift in land tenure and technology. A sustained programme of governmental promotion and investment might enable the Group to regain that level of exports at some stage in the future; but it does not seem realistic to think in terms of export earnings rising to anywhere near the current level of imports (roughly \$30 million).

## 6.12 Agriculture

Agriculture in the Cook Islands is characterised by a number of very distinctive characteristics. While the soils and climate of the larger islands are, in general, suitable for a wide range of crops, the characteristics of the MIRAB society - namely the effects of migration, remittances, aid financing and bureaucracy - have undercut interest in, and sustained motivation toward, agricultural production. On the major islands part time rather than full time farming has been common and indeed characteristic. There has been limited availability of long term credit and the repeated failures of agricultural projects suggest that the two existing banks are not likely to be keen to reform this situation. High levels of Government support (both from the New Zealand and Cook Island Governments) have been characteristic for many years, inducing high costs and distortions that now appear to be irrevocably built in to the system. Over the years there has been heavy dependence of commercial agriculture on bulky perishable products, often products that deteriorate with handling, and poor inter island and international shipping services have been so chronic that waste, and the expectation of waste by growers, have become built into the agricultural systems. In the period 1961-78 there was heavy reliance by commercial growers on the Greggs fruit juice canning factory which, since its purchase by the Government and the sale of its canning equipment, has become moribund. Figure 6.5 which shows agricultural production from 1966-83 of the four main crops reveals the steady decline in output of all products since 1973, apart from a recovery of bananas from 1979-82. In 1983 agricultural products contributed under 36 percent of total exports.

The agricultural sector enjoys few areas of comparative advantage relative to other countries in the region and it is clear that it will continue to be a problem area in the economy.

## 6.13 Distorted, Uneconomic Production Systems

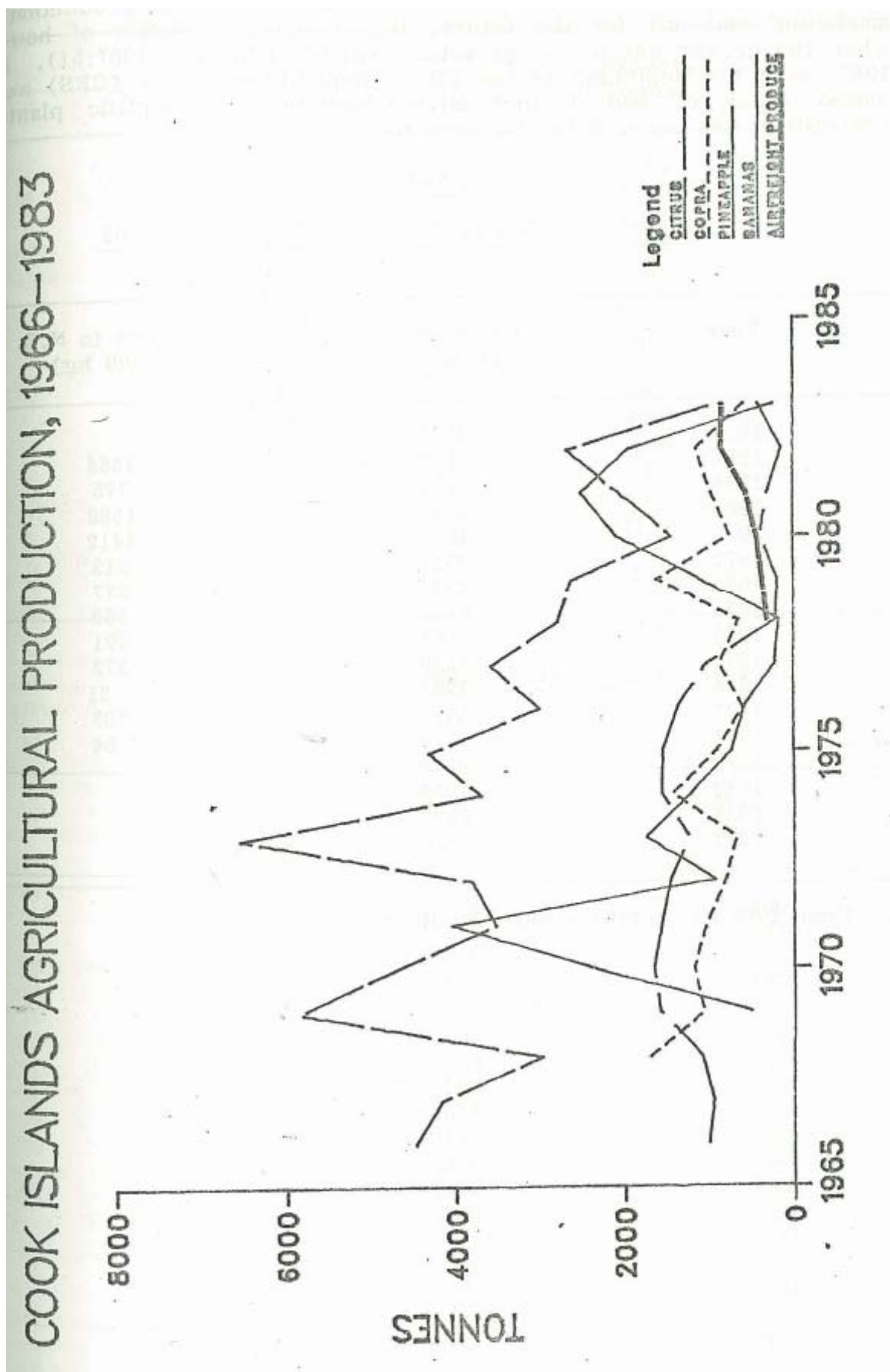
In this widely scattered group of very small islands, freight rates take up a very high proportion of the market value of exports. (Altogether, it is believed that shipping and air freight costs, including subsidies and losses borne by the Cook Islands and New Zealand Governments, are equivalent to about 30 percent of GDP). This is a major constraint to be borne in mind in formulating agricultural strategy.

Heavy subsidies on freight costs have resulted in economic distortions, such as the growing of crops whose prices do not even cover true transport costs. At the same time, the personal consumption stimulated by remittance incomes has led to the development of personal tastes for imported foods in preference to traditional substitutes which exist in the Islands and could (at least in theory) be produced more economically locally<sup>22</sup>. The frequency of shipping services - and so, to a large extent, their cost - is influenced by the need to transport perishable uneconomic crops to market.

## 6.14 Citrus

A brief examination of the citrus scheme illustrates some basic features of Cook Island agriculture. With the decline of production from wild citrus, a commission in 1935 formed

FIGURE 6.5



the view that the local grower was unable to initiate the substantial reforms needed to grow citrus successfully on a commercial basis. It recommended that the administration take the initiative to revitalise citrus production. This decision was crucial, for it laid the basis for heavy involvement by Government in production and marketing and left for the future, the important question of how and when the grower was to assume actual control (Johnston, 1967:51). After 1945, with the beginning of the Citrus Replanting Scheme (CRS) we can almost speak of two distinct citrus industries. Scientific plantation agriculture was ushered in, for once the grower had established security of tenure over a plot of land, the Government established and nurtured the orchard, providing the considerable initial and recurring costs for labour, fertiliser and machine hireage which were charged against the owner's account, to be debited from the return from the crop. Thus, skill, technology, capital and overall direction, came from the Government; all the grower had to do was to pick the fruit. Few growers felt involved enough to wish to co operate with the Government in weeding and pruning. Thus was laid the basis for heavy Government involvement in a high cost agriculture, and a form of development in which the grower had little real involvement.

TABLE 6.6

CITRUS PRODUCTION, COOK ISLANDS 1966-82

| Year | Total factory intake <sup>1</sup><br>000kg | Exports to N.Z.<br>000kg |
|------|--------------------------------------------|--------------------------|
| 1966 | 4,474                                      |                          |
| 1967 | 4,166                                      | 1,064                    |
| 1968 | 2,971                                      | 775                      |
| 1969 | 5,844                                      | 1,588                    |
| 1970 | 4,727                                      | 1,412                    |
| 1971 | 3,519                                      | 613                      |
| 1972 | 3,808                                      | 277                      |
| 1973 | 6,537                                      | 669                      |
| 1974 | 3,701                                      | 121                      |
| 1975 | 4,320                                      | 372                      |
| 1976 | 2,997                                      | 21                       |
| 1977 | 3,579                                      | 103                      |
| 1978 | 2,779                                      | 84                       |
| 1979 | 2,618                                      |                          |
| 1980 | 1,436                                      |                          |
| 1982 | 2,672                                      |                          |
| 1983 | 931                                        |                          |

1. From 1979 on, total commercial output.



TABLE 6.7

COPRA PRODUCTION, COOK ISLANDS 1968 83

| Year | Exports<br>tonnes |
|------|-------------------|
| 1968 | 1,695             |
| 1969 | 1,055             |
| 1970 | 1,181             |
| 1971 | 1,028             |
| 1972 | 803               |
| 1973 | 673               |
| 1974 | 1,428             |
| 1975 | 902               |
| 1976 | 592               |
| 1977 | 868               |
| 1978 | 642               |
| 1979 | 1,608             |
| 1980 | 738               |
| 1981 | 962               |
| 1982 | 1,137             |
| 1983 | 581               |
| Mean | 993               |

PINEAPPLE PRODUCTION, COOK ISLANDS 1966-83

| Year  | 50 lb c/s | Tonnes, 000kg |
|-------|-----------|---------------|
| 1966  | 44,264    | 1,004         |
| 1967  | 41,729    | 946           |
| 1968  | 47,769    | 1,083         |
| 1969  | 69,640    | 1,579         |
| 1970  | 73,000    | 1,655         |
| 1971  | 68,860    | 1,561         |
| 1972  | 63,960    | 1,450         |
| 1973  | 54,300    | 1,231         |
| 1974  | 68,528    | 1,554         |
| 1975  | 68,089    | 1,544         |
| 1976  | 60,226    | 1,367         |
| 1977  | 44,908    | 1,018         |
| 1978* | 40,733    | 200           |
| 1979  |           | 188           |
| 1980  |           | 382           |
| 1981  |           | 296           |
| 1982  |           | 136           |
| 1983  |           | 409           |

\* From 1978 exports by sea and air

TABLE 6.7 (cont.)

BANANA PRODUCTION, COOK ISLANDS 1969-83

| Year | 50 lb c/s | Tonnes<br>(1000kg<br>) |
|------|-----------|------------------------|
| 1969 | 20,100    | 511                    |
| 1970 | 92,500    | 2352                   |
| 1971 | 159,000   | 4042                   |
| 1972 | 36,400    | 925                    |
| 1973 | 68,477    | 1741                   |
| 1974 | 47,674    | 1212                   |
| 1975 | 28,461    | 724                    |
| 1976 | 22,839    | 581                    |
| 1977 | 8,484     | 215                    |
| 1978 | 6,717     | 171                    |
| 1979 |           | 1106                   |
| 1980 |           | 2,076                  |
| 1981 |           | 2,509                  |
| 1982 |           | 1,940                  |
| 1983 |           | 237                    |

With the sudden and massive break from the village mode of production that occurred, it is hardly surprising that the new orchard technology was not accepted. As the New Zealand adviser Fletcher has described (1972 and 1976) he made numerous technical suggestions in the late 1950s that were not followed up, making even more total involvement by Government necessary. It took 8 to 12 years for returns to the grower to eventuate and they were very low and disappointing well below the level envisaged (Johnston, 1967:52; Taylor, 1978:35). Cook Islanders have shown repeatedly they respond best to crops that can be marketed quickly for prompt payment. For a number of years the requirements that the Administration receive two thirds of the export price meant a very low return or even indebtedness for the grower. As a result of their low incomes, grower enthusiasm waned. They switched either to new crops, such as pineapples, vegetables or bananas, sought other employment, or migrated. In view of the steady drop in output after 1973 (see Table 6.7) it is hardly surprising that Gregg N.Z. Ltd insisted that their processing factory was only marginally profitable.

The C.R.S. has been an agricultural failure, but it has had considerable social and economic impact. It has succeeded in leading to what appears to be a permanent transition from the village mode of production to capitalistic plantation type production in parts of Rarotonga and to at least a quasi plantation type system on Aitutaki. Thus, at least the basis of a more efficient agriculture system has been laid and this has been useful for the recent development of banana growing on Aitutaki, and the highly commercial pawpaw and

vegetable growing enterprises on Rarotonga. The establishment by the Government of carefully tended plots without training the grower to learn the new agricultural techniques and encouraging his initiative and self reliance meant of course that the orchards would soon be allowed to deteriorate rapidly. And the scheme as a whole underlined that a very high value crop was essential in view of the substantial subsidies and high costs.

#### 6.15 Pineapples

As late as 24 July 1979<sup>23</sup> in a memo from Rarotonga to Wellington, New Zealand Representative O'Brien wrote that:

“Pineapples are the 'white hope' of Cooks agriculture given that there are endemic problems with citrus. There is a chance (just a chance) that pineapple production will escape some of the (critical land tenure) problems associated with citrus”

Subsequent events proved the ‘white hope’ forlorn.

This history of the Cook Islands’ pineapple production was nicely summarised in the Tariff and Development Board Inquiry of June 1973 which stated that the pineapple crop had been an important component of exports since the 1890s. Until 1961 Fruit Distributors Limited handled the entire crop. As a result of recommendations in the Belshaw-Stace report in the 1950s a secondary processing plant was set up by Greggs N.Z. Ltd, on Rarotonga, subsidised generously by the Cook Islands Government. This led to the predominance of pineapples on the islands of Mangaia and Atiu. However, the Tariff Board raised the key point that the whole economic structure was dependent upon strict import controls at New Zealand's end for pineapple products. All in all a precarious balance was maintained.

TABLE 6.8

#### NEW ZEALAND IMPORTS OF PINEAPPLES, 1974-76

Dollars (?)

| YEAR    | MALAYSIA  | AUSTRALIA | TAIWAN  | COOK ISLANDS |
|---------|-----------|-----------|---------|--------------|
| 1974-75 | 2,600,000 | 897,994   | 764,769 | 113,502      |
| 1975-76 | 2,700,000 | 1,777,754 | 665,375 | 376,707      |

As Table 6.8 shows, by the mid 1970s the Cook Islands ranked only a poor fourth in the New Zealand market, being unable to compete because of poor economies of scale and the persistent transport problem.<sup>23</sup> Although good crops can sometimes be produced on Mangaia and especially on the drier Atiu, two days sailing were needed to bring the crop to the processing factory.

On 8 October 1980, Rarotonga reported that the National Bank was refusing to lend any further funds to the Kia Orana Foods Corporation, the successor to Greggs, which processed the product. The New Zealand Representative credited the debacle to low throughput, low quality fruit and exorbitant transport costs.

The pineapple industry as a whole has been heavily subsidised, so that viewed at the national level, the industry has been of somewhat dubious validity. The Agricultural Planning Unit (1984) points out that its estimates of cost of production based on a labour cost of \$1.35 per hour for the present average yield of 25 tonnes per acre per crop cycle (without considering fruit loss) give a net profit of only \$256 per acre, or \$85 annually. Non subsidised production of the poorer quality fruit suitable for processing would produce an annual loss of \$120 per acre.

The pineapple consultant D.J. Watson found in 1977 78 that the low level of production was due to the lack of plant selection (superior clones were needed), insufficient and inefficient inputs in cultural and pest control measures and lack of equipment (Watson, 1977 and 1978). Over recent years a problem affecting Mangaia has been erosion in the central parts of the island, induced partly by the use of heavy machinery on sloping land and heavy cropping. In some respects the drier island of Atiu is more suitable for pineapple growing. If, however, development is considered regionally, it can be seen to be important to maintain pineapple production on these two islands. Indeed the prospects for Mangaia would be grim indeed without its pineapple crop; in the late 1970s its society had many characteristics of under development (Hayes, 1980). The commercial output of pineapples declined from \$54,000 or 3 percent of all growers' income before tax in 1981 to only \$25,000 (2 percent) in 1982. Currently there seems to be some stimulus to pineapple exports by air and the quality is estimated by Turners and Growers to be as good as ever. Since Mangaia lacks wharf facilities, air freight of high quality fruit is a possibility.

#### 6.16 Bananas

As Fig. 6.5 shows, banana production fluctuates greatly like other island products, with peaks being reached in 1971 and 1981 when there were problems of supply from Ecuador and the Philippines. Banana production is now confined to Aitutaki, being planted mostly on the Tautu loams, which are fertile and versatile, the most productive soil type in the Cook Islands. Although Aitutaki has been greatly affected by out migration with a good deal of the lands of absentees lying idle, by the late 1970s with the banana boom there has been an expansion of the agricultural area. Currently 250 acres are cropped under bananas; the aim is to expand the area to about 400 acres, a little less than one tenth of the island's area.

Bananas are cropped right through the year. The Department of Agriculture hires out tractors for land preparation and employs a gang which sprays all banana plots fortnightly to guard against Sigatoka and other plant disease. Growers apply four dressings of fertiliser in the life of the crop and herbicide is used to deal with weeds. At a spacing of 11 feet by 6 feet, growers can plant 700 trees per acre. The average planter has about one acre under bananas which might yield about \$2000 in gross income. The largest farmer has only 6 acres in bananas; overwhelmingly, growers are part time farmers.

One of the greatest constraints hindering the expansion of the industry is the difficulty of transporting the crop to the New Zealand market. Currently two ships alternate to handle the banana trade and while in 1981 a fortnightly visit was made, the lower production now warrants only one voyage a month. Ship loading is difficult, with an average loading of 6000 cartons taking about six trips by the barge out to the ship at the reef edge. The old fruit packing shed, constructed in the 1940s, has been extended in 1979 and 1981 to cope with the increased volume of fruit. However, a bumper yield of fruit leads to a great increase in wastage. Unskilled temporary workers have to be recruited, leading to bruising, and cargoes of even 6000 cartons are often roughly handled and banged against the ship's hull on loading. With a small shipment of 2000 cartons only the skilled permanent staff are needed and little bruising results. (In 1984 the wastage with such smaller shipments was running at only 5 percent.) The other major problem is the lack of interest of many growers who do not adequately look after the growing crop.

The Cook Islands Government was not enraptured with the growth of banana exports in 1979 80 for their own share of the returns was minimal. Premier Davis personally met Fruit Distributors Limited to negotiate for a higher price for the banana crop. The Cook Islands Government felt strongly that the old Primary Produce Marketing Board had done a pitiful job in prior negotiations which constituted one of the reasons that Dr. Davis wanted to get rid of it. At this meeting Fruit Distributors Limited agreed to pay between \$4.50 and \$5.50 a carton provided that the quality was high.

The Ministry of Foreign Affairs was heartened at these prospects:

“We are encouraged that in one important area the Cooks are showing a wish to put their economic house in order. In terms of volumes Cook Islands bananas have been a success story this year and last. The Cook Islands Government's net returns are another question altogether.”

Attempts to redress low government returns entailed further problems; the Cook Islands Government in 1982 removed a large part of their subsidy on Aitutaki bananas. This implied a price rise of fifty cents per carton if growers' incomes were to be maintained. Fruit Distributors were upset because they claimed they already paid their highest price for Cook Islands' bananas as compared to those of the Philippines and Ecuador. They threatened to find “alternative sources”.

After the record year of 2,500 tonnes in 1981 (\$363,000) the crop declined to 1940 tonnes (\$307,000) in 1982. Drought in 1982 and especially 1983 contributed to the dramatic fall in 1983, while the removal of the government subsidy on fertilizers also led to a decline in growers' interest.

Table 6.9 shows the cost of production in 1981; while prices and costs have changed, the relativities are the same. The table shows the considerable degree of subsidy built into the banana industry: the grower's profit on land (the amount of \$500 per acre has been allowed for), historical bonus and government price support are all forms of subsidy.

TABLE 6.9

COOK ISLANDS, BANANA COST STRUCTURE

|                                             | Carton | Case  |
|---------------------------------------------|--------|-------|
| Growers' Production Cost (including labour) | 1.22   | 1.63  |
| (including Growers' Profit on Land          | 0.98   | 1.31  |
| Bonus - Historical                          | 0.5    | 0.62  |
| Insurance Fund                              | 0.15   | 0.2   |
|                                             | 2.85   | 3.76  |
| Spraying Cost                               | 0.64   | 0.86  |
| Packing/handling lightering/marketing       |        |       |
| lightering/marketing                        | 2.8    | 3     |
| Total Costs                                 | 6.29   | 7.62  |
| Price ex F.D.L. =                           | -5.5   | -5.63 |
| Government Price Support                    | 0.79   | 1.99  |

6.17 Air Freight Production

In recent years there has been a most encouraging trend in the rapid development of exports of pawpaw and a number of winter vegetables (beans, courgettes, capsicum, watermelons, radish) grown to catch the off season market in New Zealand (see Table 6.10). The trend is upward in spite of the increase in air freight rates, limited space, increase in input costs and competition. Exports have also grown to Pago Pago and to Niue.

TABLE 6.10

EXPORT OF AIR FREIGHT PRODUCE (METRIC TONNES)

| Year | Pawpaw | Airfreight produce <sup>1</sup> |
|------|--------|---------------------------------|
| 1978 | 110    | 304.7                           |
| 1979 | 106.7  | 364.8                           |
| 1980 | 202.1  | 432.2                           |
| 1981 | 290.9  | 551                             |
| 1982 | 410    | 837.7                           |
| 1983 | 433    | 832.2                           |

Note: 1. This column also includes pawpaw

This trade is a direct consequence of the availability of the big jets and after the 747 replaced the 737 about four years ago, the volume of produce that could be exported doubled.

It was suggested that over the last five years there has been a considerable economic evolution, a flowering of entrepreneurship on Rarotonga. A small class of relatively dynamic capitalist farmers has emerged, using family land and sometimes leased land for commercial production of air freighted crops. While a number of them are small growers, and in total the group probably comprises only about 20 people, the largest ones are significant producers. They have become progressively more geared for production for the New Zealand winter market. One of the larger growers has leased some irrigable land and has planted beans, courgettes, eggplant as well as pawpaws and mangos. Increasingly, he feels that the future lies in tropical luxury lines that don't compete with New Zealand producers (in contrast to citrus and the earlier tomato production). The larger producers are concerned that the quality of produce should reach a high level before steps are taken to advertise the product in New Zealand. Some Cook Island pawpaw (the Hawaiian "solo" variety) were judged by Turner and Growers to be superior to Hawaiian produced fruit and Turners and Growers are well satisfied in the main with the quality<sup>24</sup> on arrival in Auckland. A major complaint of the growers however is the inappropriate day of the flight to New Zealand. The fruit have to be picked green on Wednesday for the plane which arrives from New Zealand on Thursday. On the return flight it reaches Auckland on Friday and the fruit has to be stored over the weekend, not reaching the shops until Monday. Thus considerable deterioration in the quality occurs. Growers much preferred the earlier arrangement under which the plane arrived on Friday, returning to Auckland on Saturday. Turners and Growers suggest that without the weekend delay, fruit would arrive in a condition to fetch \$16 \$20 per carton instead of the frequent \$10 \$12.

Although growers appreciate the Air New Zealand service, it is recognized that flights to Rarotonga are planned to suit the interests of the airline. Little account appears to be taken of the needs of agricultural producers, or of the kind of service that would be more relevant to the Cook Islands. While it appears that the extent of the problem is sometimes exaggerated, some witnesses have seen up to 50 tons of pawpaw excess cargo left on the tarmac. On such occasions little can be done with the wasted fruit except perhaps sell it at \$5 per tonne for pig food. Some astute growers try to avoid competition with stone fruit production in New Zealand in March, when the price might drop. On occasions when the price falls, pawpaw trees are regarded as useless, "except to tie the horses to". However, in early 1984 the market was still promising with cartons fetching \$11 (or 91 cents kg) the "break even" point. At \$13 or \$14 a profit could be made.

The allocation of cargo space on the plane depends on how many passengers are travelling but may vary from 11 to 15 tons, averaging 13 or 14 tons. Space is allocated on a "first come first served" basis, so the less well organized smaller growers are the ones who are most severely affected.

A major bone of contention of growers concerns the poor cargo facilities available at Rarotonga airport. Although trouble with the fumigation plant has now been rectified the space in the cargo shed (in a different location) is grossly inadequate for handling trailer loads of pawpaw. Trailers of fruit sometimes stand in the hot sun for hours awaiting fumigation. The provision of a shed to shelter highly perishable fruit and vegetables is urgent; fumigation and cargo storage should be under one roof. It is all too obvious that

Rarotonga airport was built almost solely with the interests of tourists in mind. Fortunately Air New Zealand has promised to rectify the situation.

It is difficult to gauge the full potential of air freighted production, but there appears to be room for considerable expansion yet. The larger farmers sub contract certain crops to other growers who supply land and labour; the difficulty of leasing land appears to be a serious constraint on expansion. (This may lead the Cook Islands Government to consider land tenure anew.) As tourism is expanding at present, there may be prospects of more flights per week. Certainly producers would benefit from less total dependence on flights geared for tourists; two or three flights per week of a smaller plane (say 10-12 tons each flight) would be preferable. Closer evaluation of the need and the economies of alternative available transport planes appears to be required. Other major weaknesses are the lack of commercial ability or negotiating strength on behalf of island producers.

#### 6.18 Agricultural Policy

The 40 percent drop in total agricultural production in the decade 1966-76 has been very great, partly the result of massive migration, the switch to services and the growth of the mirab society. It is too early yet to judge whether the islands have “turned the corner” with respect to migration outflow: apart from the banana boom of 1981 and the air freight trade the very low harvests of citrus, pineapples and copra (Fig. 6.5) paint a bleak picture for agriculture. The growing importance of tourism, the clothing industry and services seem to indicate the emergence of a new economic structure. In the meantime, the production of perishable crops on outer islands with no harbour facilities and few roads, remains hazardous even when market prices are promising.

Indicative of the long term backwash effects afflicting agriculture is the 1970s failure to replant ageing citrus orchards. Citrus has a 20 year cycle, after which replanting becomes essential. As Castle has pointed out, 70 percent of the citrus orchards on Rarotonga were less than half a hectare in size and average gross incomes per hectare were in the vicinity of only U.S. \$425 (SPAS 1980). In only one year of the 1970s did real gross receipts exceed real purchased input costs in the citrus industry. In order to maintain production it would have been essential to revive the processing facility sold off by Greggs in 1977 and now lying idle under Kia Orana Ltd. Yet the farms are too small and unreliable, in terms of continuous production, to provide the supplies necessary a successful processing operation. Unless farming units expand or are aggregated to allow efficient use of capital intensive methods, no basis will exist for a processing unit. Up to date the land tenure system multiple ownership, fragmentation and absentee owners has blocked any attempts at land aggregation and the Cook Islands Government has not made much headway on overcoming this situation. The alternative is to adopt processing technologies which are suitable for small volumes of input, probably produced almost entirely on Rarotonga. The plant operated by Cook Island Dairy Foods is of appropriate scale for the remaining citrus production.

It is important to plan in a regional sense, recognizing the positive advantages and also disadvantages possessed by each island. Given the promising start begun in air freighting and the emergence of a distinctly capitalistic, entrepreneurial “class” of perhaps 20 growers



on Rarotonga, the future of that island agriculturally would appear to lie with the pawpaw and winter vegetable trade by air freight to New Zealand and in supplying the tourist trade and town with necessary fruit and vegetables. The price paid for taro in Avarua appears to be amongst the highest in the South Pacific.

Aitutaki will no doubt continue with its markedly fluctuating banana industry, aided by its phosphate rich soils, yet seriously hindered by the absence of harbour facilities or long term, consistent encouragement by the New Zealand market. The lack of water for irrigation is also a constraint.

Atiu and Mangaia pineapple production has reached a low ebb and there are plans to plant vanilla and “find another crop” for another two or three of the islands in the southern group. The alternative of course is marine resources and/or the expansion of tourism to other islands (Aitutaki now has two small hotels to take advantage of its large lagoon and attractive reef). The northern group has copra and pearlshell; little else is in prospect. But regional economic planning is shallow and insubstantial, and one must not assume, in such an economy, that government planning or definite price signals will have much influence on the actual development process.

To attempt to deal with these problems, bolder and more radical policies have been suggested, although success could not be guaranteed. Thus Castle suggests land reform on Rarotonga to amalgamate farm units to permit plantation type production (SPAS 1980:373). Such an approach would at least bring the advantages of economies of scale, to combat the disadvantages of location, resource base and inadequate levels of skill. Equally important would be the need for high quality management. At the same time he commends the plan in 1979 of establishing two large (50 ha.) blocks of citrus on Aitutaki and establishing a small juice processing facility on the island, rather than shipping whole fruit 260 kms to the Rarotonga factory.

Another recent proposal is for the conversion of a large part of the accessible land on Rarotonga into tree plantations to provide fuel for a wood fired electricity generating station. Neither the economics nor the social and environmental impact of this scheme seem to have been well analysed to date, but it would be unlikely to proceed far in practice once landowner opposition was aroused.

## 6.19 Institutions

The large range of tropical fruits and vegetables that grow well on Rarotonga bear witness to many failed projects. The problems are basically economic, relating to external market conditions, transport, or other factors beyond the farm gate. Yet it is only relatively recently that New Zealand advisers have recognized this. Approaches have too often been narrowly scientific or agronomic and quite inadequate in assessing the economic problems. Often a bench scientist has been sent to do, what in effect, is a broad spectrum job. A serious omission, policy wise, has been in the area of agricultural economics, and in producing realistic rather than misleading estimates of costs of production of crops and likely rates of return. While this is primarily a matter for the Cook Island Government, it is an area in which New Zealand might be able to provide assistance.

“Frequently, the Department of Agriculture has been unfairly blamed for past failures. “Scape goating” also distracts attention from the fundamental causes. The local Department of Agriculture does possess some very competent staff but serious errors or poor decisions have been made from time to time (such as the recent decision to allow all three of the trained agricultural research specialists to go overseas at the same time). Sufficient skills often exist locally; the problem is to combine and galvanise them in an effective way. Local officers do however often respond to constructive external influence.

A major need for departmental activities is to adapt their approaches to the actual conditions that affect part time farmers. Some encouraging work has been done in this area, such as devising demonstration displays or extension work to reach growers in the weekend when they are free of their weekly full time duties. Field days staged on Saturday are likely to interest more growers. Such flexible approaches are necessary.

While production problems are still serious, the lesson for New Zealand policy is the important feedback influence of marketing difficulties on production. Consistent policies on access and renewed attempts to improve transport, including air transport are called for.

TABLE 6.11  
COOK ISLANDS: ACREAGE OF DIFFERENT CROPS PLANTED ON  
DIFFERENT ISLANDS, 1984 (ACRES)

| CROP            | ISLAND    | PLANTED IN                                              |      |                         |
|-----------------|-----------|---------------------------------------------------------|------|-------------------------|
|                 |           | 1982<br>and older                                       | 1983 | 1984<br>(Jan/March<br>) |
| Banana          | Aitutaki  | 47.5                                                    | 182  | 13                      |
| Pineapple       | Mangaia   | 74                                                      | 35   | 20                      |
| Pawpaw          | Mangaia   | 2                                                       | 11   | 1.8                     |
|                 | trees     | 970                                                     | 7350 | 1170                    |
| Pawpaw          | Rarotonga | Total producing 115 acres<br>= approx. 103,000 trees    |      |                         |
| Citrus          | Rarotonga | Approx. 25,000 prod. trees*<br>± ( 150 tr/acre).        |      |                         |
| Citrus          | Mauke     | Approx. 43 acres                                        |      |                         |
| Citrus          | Mangaia   | Approx. 2,000 young trees                               |      |                         |
| Citrus          | Atiu      | Approx. 1,000 prod. trees<br>Approx. 4,150 seedlings    |      |                         |
| Citrus Aitutaki | Aitutaki  | Approx. 20.4 acres producing<br>16.0 acres young plants |      |                         |

## 6.20 Remittances from New Zealand

Figures are available to permit a rough and ready estimate of annual remittances from Cook Islanders in New Zealand since 1966, in addition to which we have a separate estimate for 1963/64.<sup>25</sup> The method used here is that of Hayes<sup>26</sup>, and is based upon the Post Office figures for money orders issued in mainland New Zealand and cashed in the Cook Islands, adjusted to take account of other means of remitting cash (e.g. in currency notes, or by bank transfers through the National Bank branch in Raratonga). Hayes uses as his base year 1979, for which he has both the money order data from the Cook Islands, and a sample survey of Cook Islanders living in Wellington<sup>27</sup> which can be multiplied up to give an estimate for the total Cook Islander community in New Zealand. Hayes' Post Office figure for 1979 was \$1,106,000. The Wellington sample survey indicated a total of cash remittances per year of \$1,632,000 (or 1.48 times the money order figure) plus a further \$1,003,000 of remittances "in kind" (i.e. goods paid for in New Zealand and sent over). On this basis, Hayes calculates total remittances in a two stage process, first marking up total money order remittances to give an estimate of total cash remittances, and then adding a further 60% of this amount to allow for remittances "in kind". In preparing his estimate for earlier years, Hayes aims for a lower bound series<sup>28</sup>, assuming that money orders were the sole form of cash remittances up to 1970, and that thereafter the mark up for cash transfers rose by straight line interpolation to reach 48% by 1979.

In extending Hayes' series beyond 1977 (Table 6.12), we have used the 1979 conversion factors unaltered, since no better baseline survey has been conducted to supersede that of 1979. The best check is a comparison with the 1981 estimate given in the recent Development Plan<sup>29</sup>, of \$2,344 million dollars (compared to our \$2,699 million) of cash remittances. The Development Plan figure was calculated as the total of money orders, cheque transfers through the National Bank, and cash sent in envelopes. It seems probable that the main difference between the Hayes methodology and that used by the authors of the Plan would have been the Plan's use of a net rather than a gross figure for money order transfers.

TABLE 6.12  
ESTIMATED REMITTANCES FROM NEW ZEALAND TO COOK ISLANDS  
\$000

| Calendar<br>Year | Money<br>order<br>transfers | Hayes'<br>series<br>updated:<br>cash<br>transfers | Development<br>Plan 1981<br>estimate | Hayes'<br>total<br>series<br>updated | Deflated to 1982<br>NZ\$ |       |
|------------------|-----------------------------|---------------------------------------------------|--------------------------------------|--------------------------------------|--------------------------|-------|
|                  |                             |                                                   |                                      |                                      | Cash                     | Total |
| 1966             | 355                         | 355                                               |                                      | 568                                  | 1,919                    | 3,070 |
| 1967             | 372                         | 372                                               |                                      | 594                                  | 1,888                    | 3,015 |
| 1968             | 388                         | 388                                               |                                      | 621                                  | 1,893                    | 3,029 |
| 1969             | 404                         | 404                                               |                                      | 646                                  | 1,879                    | 3,005 |
| 1970             | 421                         | 421                                               |                                      | 669                                  | 1,838                    | 2,921 |
| 1971             | 382                         | 382                                               |                                      | 612                                  | 1,510                    | 2,419 |
| 1972             | 424                         | 466                                               |                                      | 746                                  | 1,720                    | 2,753 |
| 1973             | 667                         | 761                                               |                                      | 1,218                                | 2,597                    | 4,157 |
| 1974             | 782                         | 936                                               |                                      | 1,497                                | 2,880                    | 4,606 |
| 1975             | 671                         | 832                                               |                                      | 1,331                                | 2,305                    | 3,687 |
| 1976             | 869                         | 1,122                                             |                                      | 1,796                                | 2,621                    | 4,196 |
| 1977             | 918                         | 1,239                                             |                                      | 1,982                                | 2,478                    | 3,964 |
| 1978             | 911                         | 1,285                                             |                                      | 2,056                                | 2,319                    | 3,711 |
| 1979             | 1,106                       | 1,632                                             |                                      | 2,636                                | 2,511                    | 4,055 |
| 1980             | 1,120                       | 1,658                                             |                                      | 2,653                                | 2,117                    | 3,388 |
| 1981             | 1,667                       | 2,467                                             | 2,344                                | 3,947                                | 2,699                    | 4,318 |
| 1982             | 1,598                       | 2,365                                             |                                      | 3,784                                | 2,365                    | 3,784 |
| 1983             | 2,040                       | 3,019                                             |                                      | 4,830                                | 2,816                    | 4,506 |

Source Notes:

Col. 1 1966 1980 from Hayes (1982), Table 8.10, p.364. 1981-1983 figures based upon March year data supplied by the Post Office in Rarotonga.

Col. 2 1966 1976 and 1979 from Hayes (1982), Table 8.11, p.369, adjusted to exclude remittances in kind. Other years calculated from Col. 1 on Hayes' methodology.

Col. 3 is from the Development Plan 1982 85, p.41, and represents the result of what seems to have been a fairly careful survey of money orders, National Bank cheque clearings, and estimated cash sent in the mail.

Col. 4 1967 1976 and 1979 from Hayes (1982), Table 8.11, p.369. Other years calculated as 1.6 times cash remittances shown in Col. 2.

Cols. 5 and 6 calculated using the NZ CPI, 1982 = 1000.

In addition to the money orders sent from New Zealand to the Cook Islands, there is a substantial return flow.

TABLE 6.13

POST OFFICE DATA  
\$000

| March<br>year | Money orders<br>from NZ paid<br>out in Cook<br>Islands | Money orders<br>from Cook<br>Islands paid out<br>in NZ | Net money<br>orders |
|---------------|--------------------------------------------------------|--------------------------------------------------------|---------------------|
| 1977/78       | 955                                                    | 158                                                    | 797                 |
| 1978/79       | 988                                                    | 210                                                    | 778                 |
| 1979/80       | 1,098                                                  | 156                                                    | 942                 |
| 1980/81       | 1,215                                                  | 140                                                    | 1,075               |
| 1981/82       | 1,817                                                  | 172                                                    | 1,645               |
| 1982/83       | 1,525                                                  | 157                                                    | 1,368               |
| 1983/84       | 2,211                                                  | 195                                                    | 2,016               |

Thus, possibly half of the difference between the Plan figure and our estimated series could be accounted for by the netting out of money order transfers to New Zealand<sup>30</sup>. In any case, the divergence is well within the margin of error of our methodology.

In our discussion it is preferable to stick to gross remittance flows, since it is the flow of funds from New Zealand to the Cooks that concerns us here; the transfers to New Zealand through the Post Office are left to be included with other, unaccounted for, invisible items in the balance of payments.

It is important to emphasise that the data assembled above refer to recurrent flows of remittances within the Cook Islands family economy. There exist other categories of what amount to remittances, which can on occasion be quite substantial, but which relate to the village or island economies and take the form of capital levies on the New Zealand resident members of the relevant community. For example, at the time of our visit to Aitutaki (April 1984) the village of Amuri was in the process of erecting a very large hall, at an estimated cost of some \$100,000, of which \$75,000 had been raised in donations from relatives in New Zealand and the other \$25,000 had been raised within the village (a massive act of saving for a community of about 300 people<sup>31</sup> in which the typical agriculturist receives about \$2,000 per year in cash income<sup>32</sup>, to which should be added salary income for those households with a member in the public service. If we assume 50 households in the village, the average contribution to the hall project was \$500 per household in addition to which, some of the money raised from relatives in New Zealand was probably diverted from remittances to local families).

Similarly, there are regular visits to New Zealand by island tere parties, which raise funds from the community in New Zealand to pay their travel costs, and to pay for island projects.

The private remittance data are thus only part of the total volume of purchasing power transferred from Cook Islanders resident in New Zealand to those still resident in the Group. Even so, the figures are substantial, equivalent to \$160 p.a. per head of the 1981 Cook Island born population of New Zealand, and \$125 p.a. per head of resident population in the Group.

One is tempted to speculate that private remittance income has greater potential multiplier effects within the Cook Islands economy than do many of the other sources of income from New Zealand. This is because remittances are injected at the bottom end of the income distribution as well as the top, and re to a large extent spent on basic “wage goods” consumption the categories of goods where, prima facie, import substitution is most feasible. At present, however, the import content of even these basic goods clothing, bread, beverages, construction materials is high. In addition to their relatively egalitarian impact on income distribution, remittances are directed to the outer islands as much as to Rarotonga, thus offsetting some of the concentration of (say) government spending, or export income, in Rarotonga. Table 6.13, which is based upon the Post Office's encashment of money orders from New Zealand in each of the individual islands, shows Aitutaki, Mangaia and Rarotonga as the “remittance rich” islands (on the basis of the ratio between remittances share and share of total population), and all of the Southern Group except Mitiaro as receiving money order remittance inflows at least in line with their population share. Per capita remittance inflows are a great deal lower in the Northern Group.

**TABLE 6.14**  
**ISLAND BY ISLAND REMITTANCE DATA : \$000**

| Island          | Money orders from<br>New Zealand, April-<br>December 1983 | Col.1 as annual<br>estimate ( x<br>4/3) | Percentage shares of:      |                      |
|-----------------|-----------------------------------------------------------|-----------------------------------------|----------------------------|----------------------|
|                 |                                                           |                                         | Money-order<br>remittances | Population<br>(1981) |
| Rarotonga       | 823.60                                                    | 1,098                                   | 59.7                       | 53.7                 |
| Aitutaki        | 268.50                                                    | 358                                     | 19.5                       | 13.2                 |
| Atiu            | 69.00                                                     | 92                                      | 5.0                        | 6.9                  |
| Mangaia         | 116.70                                                    | 156                                     | 8.5                        | 7.7                  |
| Mauke           | 53.80                                                     | 72                                      | 3.9                        | 3.8                  |
| Mitiaro         | 7.00                                                      | 9                                       | 0.5                        | 1.4                  |
| Manihiki        | 7.60                                                      | 10                                      | 0.5                        | 2.3                  |
| Penrhyn         | 13.70                                                     | 18                                      | 1.0                        | 3.4                  |
| Pukapuka-Nassau | 16.80                                                     | 22                                      | 1.2                        | 5.2                  |
| Rakahanga       | 2.20                                                      | 3                                       | 0.2                        | 1.5                  |
| Totals          | 1,379.0                                                   | 1,839                                   | 100.0                      | 100.0                |

Source: Col. 1 from data supplied by Cook Islands Treasury Department.

Cols. 2 & 3 derived from Col. 1. Col. 3 from 1981 census report.

## 6.21 Official Flows

The broad outlines of the financing for the government sector in the Cook Islands are set out in Table 6.15 and Figure 5.7. Following the Second World War there took place a 20 year expansion of the level of government spending, involving a five fold increase in real terms as the bureaucracy was expanded and basic services such as education and health improved. By the time of self government in 1965, the peak had been reached; the most striking feature of the past two decades since self government is that in real terms, there has been absolutely no further expansion of the government sector as measured by the level of expenditure. (It may be noted that our expenditure series includes both recurrent and capital expenditure by central government). The key to this abrupt shift from rapid growth to complete stagnation lies in the resource constraint which has been imposed upon the Cook Islands Government by the limited local revenue base and the steady decline from 1970 on, in the real value of New Zealand budgetary support grants. Local revenues, which suffered in the late 1960s from the end of the export boom and the new Government's reluctance to squeeze taxpayers, were steadily built up during the 1970s and early 1980s, but these increases were almost exactly offset by declining New Zealand grants. The philosophy expressed by the 1975 New Zealand aid mission that local revenues should progressively displace New Zealand grants in the financing of local government is clearly reflected in Figure 5.7 and Table 6.15, albeit the substitution of local revenues for New Zealand grants has proceeded less dramatically than some had expected. The turning point about 1970 clearly coincides with the major confrontation between the New Zealand Government and the Cook Islands Government over the latter's funding requirements<sup>33</sup>; the subsequent drive by Cook Islands Governments of both parties to reduce so called "dependence" upon New Zealand grants has had the result (remarkable in a country experiencing rapid out migration of the "productive" age groups, combined with a steady fall in export income) of raising local revenue from 44% of expenditure in 1966-70, to 63% by 1981-84. This considerable effort of surplus mobilisation has, however, merely served to hold the line as New Zealand budgetary support declined in real terms. The record appears to suggest that New Zealand has in effect operated a policy of subtracting a dollar from the grant for each additional dollar of revenue raised by the Cook Islands Government; this approach offers no great incentive for any continuing drive towards "self reliance".

TABLE 6.15

COOK ISLANDS GOVERNMENT FINANCE, 1945 1984 MARCH YEARS

(These March year data can be read alongside the calendar year trade data in Table 6.5; thus 1945-49 in Table 6.5 is more or less the same as 1946-50 here).

000 1982 NZ Dollars, annual averages

| Period  | Expenditure | Local Revenues | Deficit | NZ Grant           |
|---------|-------------|----------------|---------|--------------------|
| 1946-50 | 3,541       | 1,833          | 1,708   | 1,670 <sup>a</sup> |
| 1951-55 | 7,072       | 3,359          | 3,713   | 4,134              |
| 1956-60 | 9,900       | 5,107          | 4,793   | 4,803              |
| 1961-65 | 14,799      | 7,243          | 7,556   | 8,435              |
| 1966-70 | 18,066      | 8,026          | 10,040  | 10,326             |
| 1971-75 | 18,293      | 7,666          | 10,627  | 9,870              |
| 1976-80 | 17,534      | 10,520         | 6,914   | 7,236              |
| 1981-84 | 18,930      | 11,866         | 7,064   | 7,137              |

a. Includes the “low” figure for 1947. Excluding 1947, average is 1,980.

The pattern revealed in Table 6.15 and Figure 5.7 have two implications for our analysis of the economy and the balance of payments. The first is that incomes derived from government expenditure have not risen significantly over the past two decades<sup>34</sup>, which in turn suggests that the rapid rise in import purchases during the 1970s (Table 6.5) was powered by private sector incomes, not public sector ones. Reading Table 6.15 alongside Table 6.5, it can be seen that the ratio of total imports to government expenditures was 0.9 in 1966-70 March years, and 1.45 by 1980-84. Government has thus been a lagging rather than a leading sector in real income growth during self government - a most unusual phenomenon.

The second point, which has significant implications for the analysis of New Zealand policy on “aid” to the Cook Islands, is that neither the stagnation of real government spending, nor the falling real value of New Zealand budgetary assistance in the second half of the 1970s, have been visible at first sight, because of the double digit inflation which began in the mid 1970s. In nominal dollar terms, Cook Islands Government expenditure has risen nine fold 1964-1984, and the New Zealand grant has increased five fold, from \$1.5 million to \$8.4 million. It has therefore been easy for cash flow crises in the Cook Islands Government to be attributed to “extravagance” rather than the ravages of inflation; and it has been politically easy for New Zealand to reduce its real subsidy, because of the steady increase in the nominal amount of subsidy.

Turning from budgetary support (which comes in to the Cook Islands Government as a straight cash payment from New Zealand) to the total aid inflows, we see in Table 6.16 that the steady fall in budgetary support grants during the 1970s was offset to a considerable extent by increases in other areas of New Zealand aid (mainly projects) which do not pass



through the Cook Islands Government budget as such. The deflated value of New Zealand's total bilateral aid in the March 1984 year was thus much the same as in 1970; the pattern over the intervening years was a steep increase in the mid 1970s, followed by an equally abrupt decline. Since 1979 the real value of total bilateral aid has been more or less constant.

The fall in the proportion of "aid" which passes into the Government's hands for spending, and the rise in the proportion going directly to contractors for New Zealand sponsored projects, has major implications for aid policy which are dealt with elsewhere. For balance of payments purposes, however, the total bilateral aid is the best figure to use, since a considerable volume of imports to the Cook Islands will have been financed from project aid.

**TABLE 6.16**  
**New Zealand Bilateral Assistance, 1970 1984.**  
**(Excluding shipping and air subsidies)**  
**NZ \$000**

| March years | Bilateral aid total |                | Budgetary support |                | NZ<br>CPI,<br>1982=1000 |
|-------------|---------------------|----------------|-------------------|----------------|-------------------------|
|             | Current             | 1982           | Current           | 1982           |                         |
|             | dollars<br>000      | dollars<br>000 | dollars<br>000    | dollars<br>000 |                         |
| 1970        | 2,259               | 10,362         | 2,224             | 10,202         | 218                     |
| 1971        | 2,375               | 10,106         | 2,200             | 9,362          | 235                     |
| 1972        | 3,242               | 12,566         | 2,759             | 10,694         | 258                     |
| 1973        | 3,951               | 14,367         | 3,050             | 11,091         | 275                     |
| 1974        | 3,925               | 13,083         | 2,886             | 9,620          | 300                     |
| 1975        | 4,485               | 13,348         | 2,453             | 7,300          | 336                     |
| 1976        | 7,002               | 18,000         | 3,864             | 9,933          | 389                     |
| 1977        | 6,068               | 13,455         | 3,700             | 8,204          | 451                     |
| 1978        | 6,253               | 12,095         | 3,350             | 6,480          | 517                     |
| 1979        | 5,913               | 10,301         | 3,450             | 6,010          | 574                     |
| 1980        | 6,722               | 10,139         | 3,400             | 5,128          | 663                     |
| 1981        | 9,043               | 11,714         | 5,700             | 7,383          | 772                     |
| 1982        | 8,358               | 9,370          | 5,884             | 6,596          | 892                     |

Sources: Bilateral total from New Zealand Official Yearbook, annual, for years 1970 1981; data supplied by EAD thereafter.

Budgetary support 1970 1974 from Cook Island Government Accounts for the calendar year preceding; 1975 1984 from EAD data.

## 6.22 Tourism

Tourism has been the dominant growth sector in the Cook Islands during the past decade since the opening of the international airport on Rarotonga. Given its significance for local employment and the balance of payments, tourism has been subjected to surprisingly little quantitative analysis. Prior to construction of the airport a number of studies were prepared suggesting tourist potential<sup>35</sup>, but comparable work in the past decade appears to be slight.

The Development Plan provides estimates of gross earnings from tourism of \$5.3 million in 1979<sup>36</sup> and \$7.4 million in 1981<sup>37</sup> (the latter figure appears to have been obtained by adjusting the former for inflation during the two intervening years, since there was little change in the number of visitors - 19,722 in 1979 and 18,638 in 1981<sup>38</sup>). The Plan furthermore estimates that 50% of gross earnings were retained in the local economy (an estimate which seems high by comparison with some other recent work in Pacific countries). Table 6.17 below uses the (admittedly crude) measure of total number of visitors to the Group to produce an estimate of annual gross tourism revenues since 1973, on the basis of the assumption that revenues average \$400 per visitor in 1982 dollars (roughly equivalent to the \$270 per visitor in 1979).

TABLE 6.17  
Tourism Data

| Year | Number of<br>visitors | Estimated gross<br>revenues 1982 dollars<br>000 |
|------|-----------------------|-------------------------------------------------|
| 1973 | 1,776                 | 710                                             |
| 1974 | 6,477                 | 2,591                                           |
| 1975 | 9,114                 | 3,646                                           |
| 1976 | 9,898                 | 3,959                                           |
| 1977 | 14,584                | 5,834                                           |
| 1978 | 16,998                | 6,799                                           |
| 1979 | 19,722                | 7,889                                           |
| 1980 | 21,051                | 8,420                                           |
| 1981 | 18,498                | 7,399                                           |
| 1982 | 17,464                | 6,986                                           |
| 1983 | 19,472                | 7,789                                           |

### 6.23 Estimating the Balance of Payments.

Balance of payments estimates for the Cook Islands are not easy to come by, and this reflects a consistent official policy bias over the past three decades at least. The figures on which policymakers have wished to concentrate (and which have therefore been assembled and published) are the visible commodity trade balance, the migration outflow, and the government sector expenditures and revenues. The focussing of public debate on these figures has naturally brought to the fore policy packages giving prominence to reducing the trade imbalance, emigration, and the government deficit in other words export promotion, import substitution, improved local employment opportunities, and local revenue increases. Such measures, assembled under the slogan of “reducing dependence”, have enjoyed a near monopoly of the field of economic policy discussion. This has been unfortunate, as it has diverted attention from more basic issues, to which overall balance of payments figures are a partial key.

One of these basic issues is the question of what the economic impact of out migration has actually been. Conventional wisdom since Belshaw and Stace<sup>39</sup> has taken it for granted that the impact of out migration is negative, and that the reduction of migration should therefore be a policy goal. The recent attempt by Hayes to provide empirical underpinning for this

anti-MIRAB position brings out clearly some of the crucial flaws in the reasoning<sup>40</sup>. Hayes points out that the (concrete) returns from labour remittances over the past couple of decades almost entirely offset the (highly speculative) estimated loss of domestic commercial production due to removal of part of the labour force, and he is in no doubt that the private benefits of migration outweigh the costs<sup>41</sup>.

In order to construct a case for high social costs from migration, Hayes resorts to the familiar assertions that “nationhood” and “autonomous development” are the criteria for assessment<sup>42</sup>, and his rather weak anti migration conclusions would fall if these are not accepted. (The conclusions are weak because although Hayes believes that less migration would be a necessary condition for economic autonomy and stronger nationhood, he concedes that it would not be sufficient, and indeed raises the possibility that the sufficient conditions may not be attainable<sup>43</sup>).

While it can readily be agreed that out migration from the Cook Islands has contributed to the fall in onshore commodity production, and that the residence overseas of a large part of the population undermines the idea of the Cook Islands as a fully independent nation state, neither of these perceptions speaks for itself in terms of policy response. Cook Islanders would be, and know they would be, substantially worse off materially in a fully independent nation without access to New Zealand. A consistent lesson of Cook Island politics is that the New Zealand connection and high living standards rank above such goals as autonomy and national independence in the preferences of the local people. The relevance of the balance of payments to this debate is that the various economic impacts of migration – individual and group remittances, reduced export production (which Hayes deals with), and reduced import demand due to the fact that most Cook Islander consumption takes place offshore (which Hayes overlooks) – can best be put into context by relating them to the actual flows of purchasing power manifested in balance of payments trends.

This brings us to a second key issue which is commonly misunderstood: the financing of imports. The standard cliché in discussion of the Cook Islands balance of trade is the claim that it is “unfavourable to the Islands”. In fact the opposite appears to be the case. A large excess of imports over exports tells us in the first instance nothing more than that Cook Islanders resident in the Islands consume more than they produce; the idea that this is somehow “unfavourable” to the Islands certainly does not follow unless one begins from a puritan point of view which insists that high material living standards are undesirable in themselves. The question which really matters in the discussion of any such trade balance is how the excess imports were financed. Most commentators on the Cook Islands trade balance appear to assume, unjustifiably, that an import surplus cannot be financed on a sustainable long run basis, and that import demand has in some sense a life of its own (that is, that effective demand for imports would remain high even if the means to finance those imports vanished).

Consider the trends of the past two decades. Using data deflated to 1982 dollars, the total import bill was \$14.5 million in 1963, \$17 million in 1973, and \$27.7 million in 1983. Real export earnings over the same period were \$9.9 million in 1963, \$8.6 million in 1973, and \$5.0 million in 1983. The two trends are quite unequivocal: rising levels of import led consumption, combined with falling levels of export commodity production. The trade

deficit widened from \$4.6 million in 1963 to \$8.3 million in 1973 and \$22.7 million in 1983. Taken out of context (as is usually done) and embellished with vague references to “trade dependency”, these figures are commonly viewed as indicators of some sort of economic failure. What is missing from such a view is information on how the trade deficit was financed.

If the widening gap between visible exports and imports had been filled by rapidly rising overseas debt (as was the case for many LDCs during the 1960s and 1970s) then pessimism would be in order – the community would have been “living beyond its means”. But this was not the case: the outstanding funded indebtedness of the Cook Islands Government at 31 March 1982 was a piffling \$1.7 million, of which only \$712,000 was owed in currencies other than the New Zealand dollar<sup>44</sup>. Private sector overseas indebtedness was similarly minimal. The Cook Islands thus entirely avoided (up to 1982 at least) the “debt trap” syndrome which afflicts most of the “underdeveloped” world.

A second way of financing a visible trade deficit is by governmental financial transfers. In 1982 dollars, New Zealand official bilateral aid to the Cook Islands was \$9.2 million in the 1963/64 March year, \$13.1 million in 1973/74, and \$10.5 million in 1983/84. Over the first period, 1963- 1973, thus, the increase in the trade deficit correlates fairly closely with the increase in official financial assistance and can be attributed to it. Over the second period 1973 1983, in contrast, the trade deficit widened by \$14.4 million while official transfers fell nearly \$3 million. Over \$17 million p.a. of increased imports during the past decade, thus, were financed other than from export earnings, overseas borrowing or official financial assistance.

Once the financing is understood, so are the imports – for without the financing, the imports would not have happened. In many small dependent economies, high imports reflect domestic internal inflationary pressures, due to fiscal/monetary stimulus by national governments. In other words, imports are a “spilling over” of excess demand from the local economy – and where that demand has been generated internally by paying out increased local currency incomes, a foreign exchange shortage is the usual result, leading to exchange rate pressure and foreign borrowing. This familiar model simply does not apply in the Cook Islands, for the straightforward reason that neither fiscal nor monetary policy instruments are available to the Cook Islands Government to expand internal demand. The instruments of macro economic policy – exchange rate, money supply, fiscal deficit – are controlled by New Zealand, not the Cook Islands Government. The only instrument controlled by the local Government is taxation, but this can be used only for contractionary purposes (e.g. by increasing local revenue while holding expenditure constant, thus sterilising the proceeds from increased taxation – either by banking them in Government accounts, or by reducing the call on New Zealand financial assistance dollar for dollar). Any attempt to stimulate internal demand by tax cuts would be cancelled out by the matching reduction of government expenditure which would have to occur – since the Cook Islands Government cannot expand its deficit at will. (The proviso, which is now for the first time becoming relevant, is that the Cook Islands Government might embark on its own programme of external borrowing and use the proceeds to finance additional domestic consumption – but in that case, as already noted above, the resulting import demand is automatically financed in advance).

The point is that the necessary conditions for a trade deficit to be a macro economic “problem” do not exist in the Cook Islands. The trade deficit is consequently not a macro economic problem (although it may, of course, have micro economic side effects on the domestic allocation of resources). In fully independent economies with their own fiscal and monetary policy, import demand can “drive” the balance of payments. In the Cook Islands the opposite is the case imports are driven by the balance of payments. It is imports that provide the balancing item in the total, and not the more familiar monetary buffers (foreign exchange reserves, IMF account balances and the like) of independent economies.<sup>45</sup>

Where, then, did the rapidly increasing import demand of the 1970s come from? The answer lies in three categories of balance of payments inflow: remittances, philatelic revenues, and tourism. None of these is reported in the visible trade statistics, with the result that those statistics are utterly inadequate as analytical tools in the modern Cook Islands economy. By the first half of the 1980s visible exports financed only one fifth of total imports. Available data suggests that remittances financed 14%, tourism 27%, philatelic revenues 3%, and New Zealand financial assistance 37%.

In Table 6.18 we assemble such data as we have been able to locate on the Cook Islands balance of payments. The figures must be treated as orders of magnitude only, given the difficulty of placing the data on any sort of consistent basis, the shortcomings of the published statistics, and some probable biases arising from our blanket use of the New Zealand consumer price index as a deflator for the forty year period covered. The picture which emerges, however, is a consistent one, showing the growth and composition of the “wedge” of invisible current account items which account for the increasing deficit in visible trade, and emphasising in particular the strength of private remittances and tourism.

The interpretation of Table 6.18 merits some discussion, as it is not presented in the normal format, with “current” and “capital” accounts and monetary balancing items. Not only is the current/capital distinction impossible to apply to the data in its available form, but it is not a particularly helpful distinction to make. In constructing the table, we have assembled what is available on credits and debits in the Cook Islands’ “international” economic transactions, and then calculated a residual balancing item which incorporates a wide variety of transactions: profit remittances, direct investment, invisible charges such as freight, insurance, airfares and commissions; and of course errors and omissions in the items recorded in our table. With the exception of the period 1975-79 it will be noted that the balancing item is negative that is Cook Islands imports are “over financed” by the recorded credit items, which accords with the intuitive feeling that there should be substantial invisible debits mainly, one would suspect, remittances from the Group to New Zealand (of profits and expatriate savings, the latter having been quite insignificant in the colonial period): and costs associated with importing (freight, insurance and other charges since there are grounds for supposing that import values were on occasion reported FOB rather than CIF until the mid 1970s). The negative residual item from 1945 to 1974 in Table 6.18 varies from less than 20% of imports to somewhat over 40% a range which seems consistent with the above suggestions, since the gap between FOB and CIF values can run as high as 25% or so, and the repatriated profit item is likely to have been at its peak in the second half of the 1960s (the high point for our residual figure) when the Greggs cannery was running at a high level of capacity utilisation

TABLE 6.18

A Rough Reconstruction of the Cook Islands Balance of Payments, 1945-1982  
All data deflated to 1982 NZ\$000, annual averages

| Period   | Visible Trade Balance |         |         |         |            | Invisible Credit Items |                    |                                   |                                  |                               |
|----------|-----------------------|---------|---------|---------|------------|------------------------|--------------------|-----------------------------------|----------------------------------|-------------------------------|
|          | Exports               | Imports | Deficit | Tourism | Philatelic | NZ<br>"Aid"            | Remittances        | Profits<br>of<br>foreign<br>firms | Overseas<br>direct<br>investment | Residual<br>balancing<br>item |
| 1945-49  | 3,285                 | 5,335   | 2,050   |         |            | 1,670                  | 1,380              |                                   |                                  | -1,000                        |
| 1950-54  | 5,572                 | 9,243   | 3,671   |         |            | 4,134                  | 1,337              |                                   |                                  | -1,800                        |
| 1955-59  | 6,431                 | 10,188  | 3,757   |         |            | 4,803                  | 1,500              |                                   |                                  | -2,526                        |
| 1960-64  | 8,506                 | 13,438  | 4,932   |         |            | 8,435                  | 1,500              |                                   |                                  | -5,003                        |
| 1963/64* | 9,364                 | 16,668  | 7,304   | 117     |            | 9,851                  | 1,747 <sup>a</sup> | 729                               | 765                              | -4,447                        |
| 1965-69  | 9,864                 | 16,360  | 6,496   | 400     |            | 10,326                 | 3,000              |                                   |                                  | -7,230                        |
| 1970     | 8,638                 | 20,524  | 11,886  | 1,000   |            | 12,694                 | 3,371              |                                   |                                  | -5,179                        |
| 1975     | 5,413                 | 32,345  | 26,932  | 5,626   | n.a.       | 12,798                 | 3,923              |                                   |                                  | 4,585                         |
| 1980     | 5,199                 | 27,346  | 22,147  | 7,650   | 880        | 10,295                 | 3,999              |                                   |                                  | -677                          |
| 1981**   | 5,487                 | 31,439  | 25,952  | 8,096   | "          | 9,847                  | 2,188              | 33                                | "                                | -5,854                        |

\* Kolff's estimates.

\*\* Development Plan estimates.

a. Including mission transfers (48,500) as well as private remittances (100,000).

Sources: Exports, Imports and Trade Balance from Table 6.5. Tourism from Table 6.17. Remittances 1965-83 from Table 6.12. Philatelic revenue from Cook Islands Government Accounts, annual NZ.

Aid is total bilateral aid from Table 6.16. (For the construction of this table we have read each March year as the preceding calendar year.)

The Kolff estimates for the 1963/64 March year are from Kolff, J., "The National Income of the Cook Islands 1963-64" (Victoria University of Wellington, 1965) pp. 171-172.

The 1981 estimates are from Development Plan 1982-1985 p.41 Table 5.6.

All data deflated to 1982 dollars using the New Zealand consumer price index.

For the past decade, import values appear to have been recorded CIF (which may contribute to their sharp increase from the early to the late 1970s in our table – this issue needs more research) and the nature of the residual items changes sharply. For the first half of the 1980s, a residual of only 2% of imports suggests that we have identified all the really significant flows for those years. For the 1975-79 period, however, we find that our table leaves imports seriously “under financed” to the tune of about 17%, a residual balancing item of \$4.6 million. What this implies is that we have failed to identify a credit item or items of this magnitude during the later 1970s. Possibilities are under valuation of exports, over valuation of imports, understated tourism or remittance receipts, or unidentified capital inflows (possibly associated with private investment in the growing tourist industry). Of these the last seems the most probable.

Looking at the trends which emerge, the MIRAB structure is clear. In the late 1940s “aid” and remittances together already financed half of the Cook Islands' imports and other debits. The same proportion continues to hold in the early 1980s. The trajectory over the intervening period is traced in Table 6.19, which shows the shares of exports, tourism, “aid” and remittances in financing the total debits on the balance of payments (obtained by summing imports and the residual column in Table 6.18). The end of export leadership shows up clearly, with this source of financing dropping from 52% of the total in 1945-49 to 20% by the late 1970s. Remittances, it can be seen, had their greatest proportional impact in the 1940s (when the supply of indentured labour to the Makatea phosphate diggings revolutionised the cash incomes of Cook Island households) but has consistently since then held a 12-14% share of balance of payments financing, a role which it shows no sign of losing. “Aid” rose to a leading role in the first decade of self government, but has dropped back in the succeeding decade as tourism became the dynamic new source of financing. (One should obviously add here the qualification that since the tourist industry has a high import content, it accounts for a good deal of the increase in imports which it has helped to “finance”).

#### 6.24 Some Notes on Economic Policy

The essential point about the Cook Islands economy is that it is not confronted by any pressing economic crisis, and will not be confronted with any such crisis until and unless the link with New Zealand is broken. The Cook Islands certainly may share in New Zealand economic problems, but that does not involve any crisis for the Islands economy as such. The New Zealand Government may at any time force the Islands into a manufactured crisis, by abrogating one or more parts of the existing social contract (e.g. budgetary support, or free labour access, or duty free trade access). But any such crisis would have to be recognised for what it was: the result of a unilateral breach of undertakings explicitly given and accepted between the governing authorities of the two communities. One of the pillars on which economic policies in “civilised” nations rest is, of course, the assumption that nations will honour their agreements; to assume otherwise would make impossible the present trade and financial arrangements which bind the world economy together.

TABLE 6.19

“Financing” the Cook Islands Balance of Payments  
1982 NZ\$000, annual averages

| Period  | Percentage Contribution of |                    |         |             |             |
|---------|----------------------------|--------------------|---------|-------------|-------------|
|         | Financing<br>required*     | Visible<br>exports | Tourism | Remittances | NZ<br>“Aid” |
| 1945-49 | 6,335                      | 52                 | -       | 22          | 26          |
| 1950-54 | 11,043                     | 50                 | -       | 12          | 37          |
| 1955-59 | 12,714                     | 51                 | -       | 12          | 38          |
| 1960-64 | 18,441                     | 46                 | -       | 8           | 46          |
| 1965-69 | 23,590                     | 42                 | 2       | 13          | 44          |
| 1970-74 | 25,703                     | 34                 | 4       | 13          | 49          |
| 1975-79 | 27,760                     | 19                 | 20      | 14          | 46          |
| 1980-83 | 28,023                     | 19                 | 27      | 14          | 37          |

\*Imports plus financing required to cover the residual balancing item in Table 6.18.

Source: calculated from Table 6.18.

It is, therefore, ironic that both the New Zealand and the Cook Islands Governments persist in prescribing for the Islands economic policies which are based on the presumption that the agreement with New Zealand for long term support and access will or should be broken. The prescriptions for reduction of “dependence” on New Zealand, which seem to dominate much official thinking on both sides, are ultimately prescriptions for the Islands' economic survival without the special relationship. It is certainly true that in order to survive economically as a fully independent autonomous entity, the Cook Islands would have to step up productive activity well beyond the margin of what is presently profitable, and accept a considerable reduction of living standards below the level which has been regarded as the entitlement of a community associated with (and sharing some of the economic personality of) the New Zealand welfare state. Yet the special relationship with New Zealand was originally designed, and presented, as a means of averting that necessity in perpetuity.

In its steady advocacy for “development”, understood as increased domestic production for export or import substitution in the Cook Islands, with a concomitant increase in domestic economic surplus (hence taxable capacity, hence government revenue, and therefore less need for New Zealand revenue support), New Zealand lays itself open to the charge that the possibility of abrogating the special relationship is being kept open as a permanent policy option. There may well be good reasons for New Zealand to do this (see our discussion Chapters 3 and 11), but the consequences should not be overlooked. A community living



permanently under threat of losing the key to its livelihood (which for a MIRAB society means migration outlets, unhindered ability to transfer funds, and assured revenue support) will be characterised by uncertainty; and long run planning under uncertainty will be dominated more by survival calculations and the taking out of insurance, than by systematic and constructive investment. The rational response to New Zealand's current policy stance, we would suggest, is for each Cook Islands family to ensure that it has a nucleus of members firmly established in New Zealand, to facilitate rapid emigration of the entire family should the special relationship actually collapse.

Let us attempt to restate the problem more starkly. New Zealand has since 1960 consistently assured Cook Islanders that they would not be abandoned to their fate, and that the special links to New Zealand would be preserved for as long as they wished to keep them. If those assurances are accepted at face value, the MIRAB society is the rational and appropriate system for Cook Islanders to obtain the greatest benefit from the social contract; their actions since 1965 confirm this. At the same time, however, New Zealand has lectured the Cook Islanders on the need for domestic production to be built up in order to promote genuine “independence” in other words, to make possible the abandonment of the special relationship. If those lectures are taken at face value, the rational response would be to assume that the special relationship is not in fact durable, and to act accordingly (namely by moving to New Zealand at the earliest opportunity). It says much for the degree of trust which exists between the two communities that Cook Islanders have, in practice, taken the assurances of support seriously, and treated the “development” lectures as rhetoric rather than reality. This we believe to be the correct approach.

The question then arises: what purpose is being served by the rhetorical commitment to “development”, and might this purpose be better served in some other way? It seems that the main point of the so called “developmental” approach is to provide political legitimacy for the special relationship within New Zealand. If New Zealand taxpayers are asked to guarantee some fixed level of budgetary support in perpetuity, as a straightforward subsidy to Cook Islands consumption, it appears to be felt that this would be unacceptable. If, on the other hand, financial transfers to the Cook Islands are presented as the means of promoting “development investment”, and hence ultimately self liquidating, this is felt to be more politically acceptable. The flaw is that a degree of deception is involved, which in the long run promises to be profoundly subversive of the special relationship, and hence destabilising for the Cook Islands society and economy. The issue is dealt with at greater length, and with particular reference to the Cook Islands case, in Chapter 3.

As matters presently stand, the Cook Islands economy is in a stable and satisfactory steady state which is likely to be upset only by deliberate political intervention. There is a real danger, however, that policymakers will observe the evident fact that the system has a good deal of flexibility, and hence scope for adjustment, and will then attempt to drive the Cook Islands economy down some “desired” path without taking account of the way the system functions. Both the pressure in the mid 1970s for a “self reliant” economy, and the current emphasis on raising domestically generated disposable incomes as a means of reducing future out migration, fall into this trap.

The central truths about the Cook Islands economy are that

- (1) it is currently functioning very satisfactorily in a steady state;
- (2) the net burden on New Zealand of financial transfers is low and falling, and the social return on our financial assistance is high:
- (3) crash programmes of so called “development” are both inappropriate and dangerous<sup>46</sup>;
- (4) the long run evolution of the Cook Islands cannot be sensibly discussed separately from that of the New Zealand economy, unless the links of citizenship, migration, and remittances are broken.

It is hard, in retrospect, to see how things could have worked out much better in the Cook Islands. This is a case of economic success achieved despite the occasional efforts of policymakers (in both New Zealand and Rarotonga) to the contrary. The top priority in the Cook Islands for the next decade is maintenance of an economic status quo which seems likely to be gradually enhanced by rising horticultural exports, and which will benefit directly from any picking up in the New Zealand economy. Policies which prevent a New Zealand recovery from flowing through to Cook Island households (for example, tax increases aimed at reducing the Government's financing “gap”) will trigger one or more of the adjustment mechanisms (most likely renewed out migration).

The environment is therefore one in which conservatism is appropriate and policy initiatives should be approached with caution. Probably the most important policy change required on the New Zealand side is the relabelling of our financial transfers to remove budget support from the context of “development aid” and place it more clearly where it belongs, as an assured ongoing commitment by New Zealand to underwrite the viability of the existing economy. Secondly, and inextricably linked with the first, is a rethinking of the terms of the special relationship, either to impose upon the Cook Islands Government some obligation to consult with New Zealand on the broad outlines of its expenditure policies, or to remove any residual New Zealand responsibility for underwriting the security of international lending to the Cook Islands Government. Our present policy of muddling through on the issue of financial control has proved workable to date, but will come under severe strain if the Cook Islands Government embarks upon the incurring of large scale foreign debt.

## NOTES TO CHAPTER SIX

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- <sup>1</sup> See Gilson (1980); 111 25, 136 56.
- <sup>2</sup> This is fundamentally different to the status of returned migrants in some other countries. For example, in Peru, the returned migrant with money is accorded a higher status. That, however, is returning to a situation of subsistence poverty; in the islands the returned migrant is moving back to subsistence affluence.
- <sup>3</sup> Felix H. Keesing, The South Seas in the Modern World, John Day, New York, 1942, p.71.
- <sup>4</sup> Cited in Wilson, S.D., "The Cook Islands and Niue 1901-1945", in Ross, A. (ed.) New Zealand's Record in the South Pacific (1969) p.
- <sup>5</sup> .See data from Annual Reports in AJHR, assembled in Bertram, G., "Some Long Run Data Series for Five Pacific Micro Economies" (1984). The proportional importance of New Zealand assistance in financing the Cook Islands budget rose in the 1960s at the time of the move to self government, but has fallen substantially since; see Table 6.11 below.
- <sup>6</sup> The reference is to Rostow, W.W., The Stages of Economic Growth (1960).
- <sup>7</sup> For the familiar model see Coale and Hoover (1957).
- <sup>8</sup> Population and migration trends over the past two decades are analysed in detail in Hayes, G.R., "Migration, Population Change and Socio Economic Development in the Cook Islands", Ph.D., British Columbia, 1982, Chapter 5.
- <sup>9</sup> Cook Islands Development Plan 1982-1985 (January 1984), Chapters 2 and 4.
- <sup>10</sup> G.R. Hayes, "Employment and Occupational Trends in the Cook Islands 1966-1976", Occasional Paper No 2, Cook Islands Statistical Office, 1979, p.5 presenting SPC data of 1975.
- <sup>11</sup> G.R. Hayes, "Migration, Population Change and Socio Economic Development in the Cook Islands" PhD, British Columbia) 1982, pp. 364 and 374.
- <sup>12</sup> Hayes (1982) p.247.
- <sup>13</sup> Graves and Graves (1976): 447.
- <sup>14</sup> G. Myrdal, Economic Theory and the Under-developed Regions 1957.
- <sup>15</sup> Plan, p.25, Table 4.6.
- <sup>16</sup> Hayes (1979); 7-8.
- <sup>17</sup> Development Plan 1982-1985, p.32.
- <sup>18</sup> See, e.g. F. Van Os, Tentative Analysis of Selected Sectors of the Cook Islands' Economy Rarotonga, 1977, p.10.
- <sup>19</sup> T.I.J. Fairbairn, "The Cook Islands: Domestic Stabilisation of International Trade Instability" Pacific Viewpoint, 25.1, May 1984, p.62.
- <sup>20</sup> Cook Islands Development Plan 1982-1985 p.83 recognises that "In comparison with other small island countries in the Pacific, the Cook Islands has a relatively high proportion of industrial activity", but the only specific projects in the industrial field are in fruit processing (p.88) and no analysis or policy suggestions are to be found in the Plan relating to the apparel sector.
- <sup>21</sup> It is however virtually impossible, short of imposing massive import duties, to turn the clock back to enable traditional staples of taro, arrowroot, and yams etc. to substitute for the now highly favoured and deeply entrenched tastes for bread, rice, biscuits, etc. For other factors involved, see SPAS (1980).
- <sup>22</sup> MFA File 306/15/15 Pineapples, all letters.
- <sup>23</sup> e.g. In 1975 the M.P. K. Comber asked if the Minister of Foreign Affairs knew that the pineapple crop of Mangaia was rotting on the beach because no ship had arrived to pick up the crop. On 22 August MFA cabled Rarotonga with this enquiry. Shipping had been available in July but an estimated 1000 cases had been lost because the ship was not available when needed; in fact the pineapples had never been harvested.
- <sup>24</sup> Interview with John Watson, Turners and Growers, Auckland, May 26, 1984.
- <sup>25</sup> J. Kolff, "The National Income of the Cook Islands", M.A., V.U.W., Table 6.11 estimates cash remittances for the 1963/64 year as \$200,000 for the private sector and \$97,000 associated with "mission activity" (i.e. the churches). This matches well with the Hayes figure of \$355,000 for 1966 in Table 6.8 below.
- <sup>26</sup> Hayes (1983); 363-72.
- <sup>27</sup> NZ Dept. of Labour, The Work Experience of Pacific Islands Migrants in the Greater Wellington Area, Wellington, 1979.

28 Which is the incorrect procedure for testing the hypothesis which concerns him in his thesis, namely  
 29 that remittances failed to compensate the Cook Islands onshore economy for the loss of human capital  
 30 via migration. However, in our present context we shall use his figures as they stand.  
 31 Cook Islands Development Plan 1982 1985, p. 41.  
 32 It should be emphasised that this is speculation; the key figure in preparing the Plan, Dirk Blink, had  
 33 left the Cook Islands by the time of our visit and we were unable to determine how the balance of  
 34 payments table was prepared.  
 35 The 1981 Census enumerated 730 people in the “Amuri Ureia” district; Ureia is the neighbouring  
 36 village, of similar (or larger) size to Amuri.  
 37 Off the cuff estimate by local resident and former Administrative Officer Harold Brown, for a full time  
 38 agriculturist's household. The census of 1981 shows 5.51 persons per private occupied dwelling on  
 39 Aitutaki; the number per household would be higher, since households may occupy more than one  
 40 house. Note that in addition to Brown's estimate of \$40 per week cash income, the typical Amuri  
 41 household grows its own food and produces various other necessities of life, so that “real income” is  
 42 considerably greater.  
 43 Faced with a cash crisis, the Cook Islands Government truncated the 1969-1970 financial year to nine  
 44 months, and engaged in a major confrontation with New Zealand over the level of funding being  
 45 provided: cf Terry Chapman, 1976, The Decolonisation of Niue, pp. 55-60.  
 46 It is of some interest to set employment data alongside the real expenditure figures, although we have  
 not as yet assembled the figures for a full scale comparison. According to J.G. Cook ( Labour and  
 Employment in the Cook Islands, Rarotonga, 1968, p.9 Table 7) total public service employment was  
 1,334 in 1959, peaked at 1,922 in 1964 (due entirely to a sharp increase in wage workers) and dropped  
 to 1,736 by 1967. Public service employment recorded in the 1981 census was 1,916. This evidence  
 suggests that the public service was expanded rapidly in the last years of New Zealand administration,  
 cut back significantly in the early self government years (by laying off wage workers, and by reducing  
 the number of expatriate employees with no significant countervailing increase in local salaried staff),  
 and has expanded only very slowly since then (a 10% increase in personnel over the 14 year period  
 1967-1981).  
 E.G. Environmental Research Ltd, Report on Tourist Potential in the Cook Islands (1969) and Cook,  
 J.G., An assessment of the Effects of a Tourist Industry on the Economy of the Cook Islands (1969).  
Cook Islands Development Plan 1982-1985, p. 75, based on a follow up study by Environmental  
 Research Ltd.  
 Ibid p. 41.  
 Ibid., p. 75 Table 8.1.  
 Belshaw and Stace (1955) pp.  
 Hayes (1982) Chapter 2 covers theoretical issues, Chapter 8 attempts a cost benefit assessment, and  
 Chapter 9 argues Hayes' conclusion the migration has had “negative” consequences.  
 Hayes (1982) p.385.  
 Hayes (1982) p.385 and p.389.  
 Hayes (1982) pp. 391 393.  
 , Appendix X. In the last year or so the situation has begun to change rapidly, as the Cook Islands  
 Government embarks on the raising of large overseas loans.  
 One item not dealt with in our balance of payments figures below is the annual currency “overflow”  
 from the Cook Islands economy, corresponding to currency brought in by tourists and visitors, or sent  
 through the mail, in excess of what the local economy can absorb into its money balances. This  
 overflow leaves the Group in the form of regular consignments of New Zealand currency sent by the  
 Rarotonga branch of the National Bank to the Bank's head office in New Zealand. These consignments  
 totalled \$1,992,860 in calendar 1981; \$2,594,660 in calendar 1982; and \$2,742,840 in calendar 1983.  
 (Data supplied by the National Bank).  
 Especially the Cook Islands Government's present plan for an \$8.6 million debt financed wood energy  
 scheme on Rarotonga, which is doomed to be wrecked on the hard realities of land tenure and  
 competing uses for good land, but which could meantime saddle the economy with large scale foreign  
 debt commitments which will have to be serviced at the expense of future real incomes. A recent  
 report on the scheme in Cook Islands News (May 1, 1984, pp.1 2) identified some of the problems, but  
 understates them; problems of both land and debt servicing are likely to be much greater than has yet  
 been publicly admitted.

## CHAPTER SEVEN

### NIUE

While superficially the Niue economy has a good deal in common with that of the Cook Islands, there are differences of fundamental importance.

#### 7.1 The Niuean Malaise

Niue does not exhibit the strength and stability of the Cook Islands economy and society. There has been no -collapse- of aggregate export earnings, because there has never been any process of export led growth in Niue. Rather, the export economy has been characterised by a series of product cycles as one commodity after another found brief favour before running into crisis. Nor do remittance inflows to Niue appear to have been as strong as has been the case in the Cook Islands. Niue's import economy is almost entirely driven by New Zealand budgetary support; its resource base promises very little in the way of commercial export potential; its public service is grotesquely large relative to the society to be administered; and the out migration mechanism, which in the Cook Islands seems to have yielded a sustainable equilibrium situation, has in Niue's case proceeded to the point where the island has become acutely depopulated, which renders resettlement by surplus population from Tonga a distinct possibility for the future.

Underlying the Niuean malaise are factors of natural resource endowment, social structure, culture, and history.

#### 7.2 Society

Niue lies 388 kms east of Tonga. The population of about 3,000 people have strong linguistic and cultural affiliations with both the Tongan and Samoan groups. Loeb (1926) has suggested that two distinct ethnic groups are represented on the island - the Motu of Samoan origin in the north and the Tafifi of Tongan origin in the south.

Before the establishment of a British protectorate, there had never been, apart from the Church, any really successful unifying agency on the island. No king had ever managed to gain full control over, or support of, the people. The strength of purely local social factors is represented in the 13 villages which have always been important autonomous units, and today the system of representation in the Assembly is strongly based on this pattern.<sup>1</sup> Village leadership was on an elected basis and not through hereditary right. Within the village, kinship groupings created further divisions, and it is not surprising therefore that the Niuean is a strong individualist.

The first Samoan missionary was landed by the London Missionary Society (LMS) in 1849; in 1867 the first permanent European residents arrived, an LMS missionary and his wife. Missionisation has had a profound effect in shaping Niuean society and its values and directing the welfare of its people. A recurring problem that many New Zealanders have experienced in trying to force externally devised programmes on to Niue is the distinctive quality of Niue's strongly missionised culture. It is important to recognise Niuean attitudes and values and to be sensitive to their needs.

Niue was placed under New Zealand's protection in 1901, at the suggestion of the New Zealand Government. For 50 years little social and economic development was attempted; education was left in the hands of the LMS and a hospital was not opened until 1922. A change in New Zealand's laissez faire policy did not begin until after World War II. Following the murder in 1952 of Larsen, the New Zealand Resident Commissioner, a major and successful effort was made by J.M. McEwen to establish good communication with the Niuean people. A policy of steady social and economic development was prosecuted with steady improvement of the infrastructure. A small local political elite, headed by Robert Rex, emerged. Conscious of the strong pressure from the United Nations that dependent territories should be set on a course that would lead rapidly to self government or independence, New Zealand took steps rapidly to promote the political and constitutional “evolution” of the island. However, it must be emphasised that there has only been a period of 30 years of pronounced social, economic and political development and the recency of the whole process needs to be borne in mind.

### 7.3 Environment

The island's geology distinguishes it sharply from Tonga, the Southern Cook Islands, or Samoa. Most of its area of 259 sq kms (25,000 ha) is a raised coral plateau covered by thin and patchy soil, and with a rough surface broken by numerous coral “pinnacles”.

The elevated coral reef rock which comprises Niue provides a rugged environment making movement and agriculture difficult, while the steep and broken coast line of cliffs fall abruptly to a narrow fringing reef and wave cut platform. Alofi Bay is one of only a few spots at which a channel exists through the platform enabling access to a small service wharf. However, ships are forced to anchor off the wharf and are unloaded by lighters.

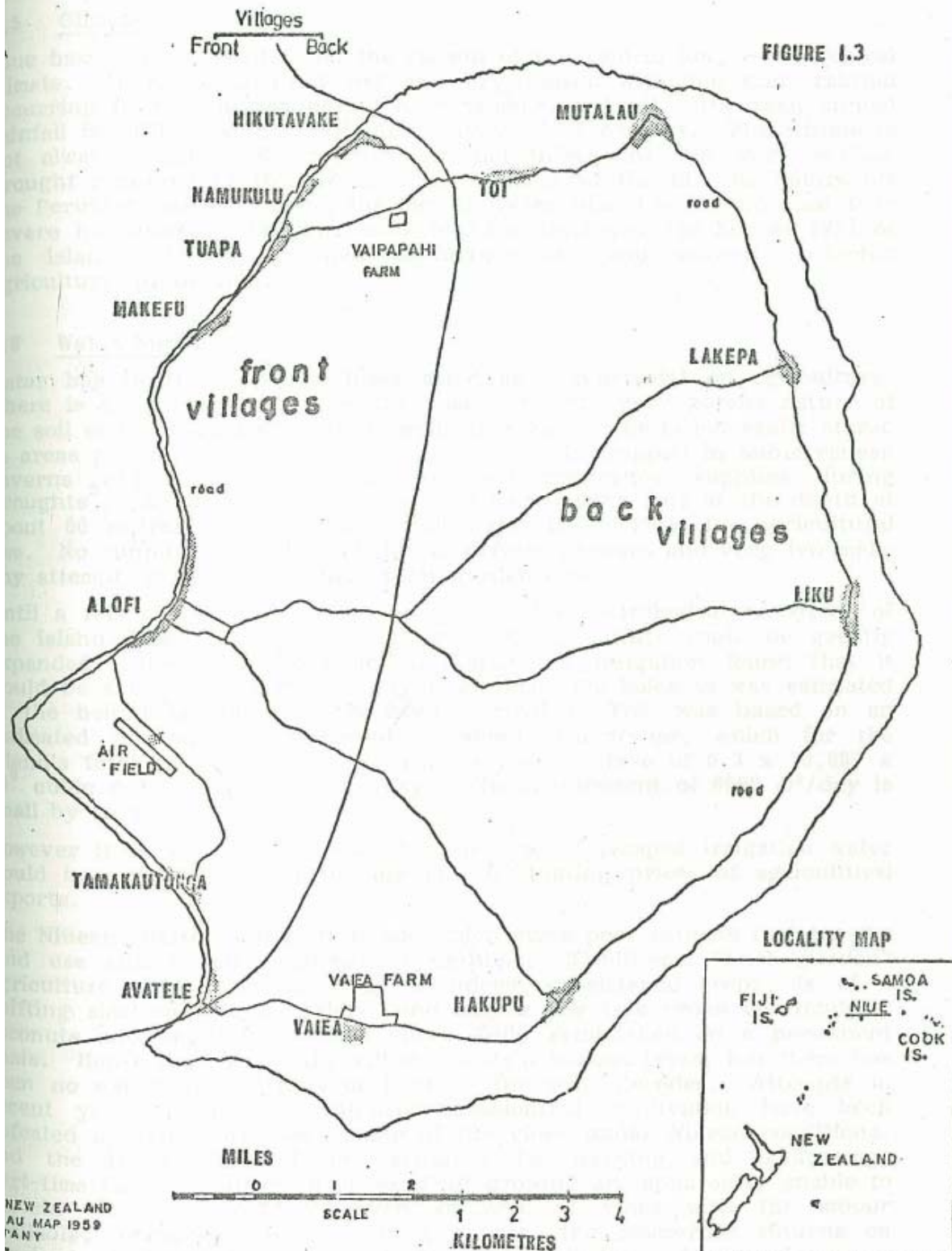
### 7.4 Soils

Four main soil groups have been distinguished on the different terrace levels or former lagoon area. In undertaking the basic soil survey over 20 years ago, Wright and van Westerndorp stated that the problems are all the more formidable because “the solutions ... must be in balance with a soil whose outstanding property is a capacity to undergo rapid and often irreversible change”. Recently, D.M. Leslie (1980) has pointed out that many experts visiting Niue erroneously characterise the soils as of poor quality and of limited potential, a conclusion arrived at by noting the amount of rock exposed across the land surface, and not realising that the true soil is between these rock outcrops. However, Leslie corrects this impression and states that “given our current knowledge we would view the agricultural potential of the soils with great optimism given wise decision making and sound management”. Moreover, knowledge of Niuean soils is as well documented as that of any other country. Investigations by Widdowson and others have shown that nitrogen is low in all soils and is rapidly depleted (hence the necessity for shifting cultivation in the absence of artificial fertilisers), calcium and magnesium are abundant, phosphorus is high, potassium is low in most soils, and of the trace elements, zinc is consistently in short supply.<sup>2</sup>

The main limitations are thus the physical properties of the craggy coral outcrops which leads to patchy crop intensity in gardens, plus some chemical deficiencies. The main

# NIUE ISLAND

FIGURE 1.3







implications of this are the difficulty in using machinery on the land; Widdowson (1980) has shown the detrimental effects of discing shallow soils. The “desert” or fern lands mainly in the south are the result of over intensive use of poorer soils usually overlying makatea sand and gravel beds. Thus Leslie's optimistic comment is based on “wise decision making and sound management” and for large scale commercial agriculture, this would probably require the provision of skilled management from overseas.

## 7.5 Climate

Niue has a climate that is on the margin of the typical hot, wet, tropical climate. It has a distinct wet and dry season with the main rainfall occurring in the summer period of November to April. Its mean annual rainfall is 2030mm with a variability rating of 21 percent. The climate is not always stable and droughts are not infrequent. A very serious drought occurred in 1982 83 as a consequence of the El Nino failure off the Peruvian coast. During the last 26 years Niue has experienced four severe hurricanes. The hurricane of 1959 destroyed 180 houses (23% of the island's total), damaged a further 260 and severely affected agricultural production.

## 7.6 Water Supplies

Water has in the past sometimes acted as a constraint on agriculture. There is no running water on the island and the very porous nature of the soil and subsurface material means that rain water is not easily stored in areas accessible to vegetation. Rain water is trapped in subterranean caverns which, in the past, provided emergency supplies during droughts<sup>3</sup>. A number of bores tap the fresh water lens at the depth of about 60 metres. Very little stored water is available for agricultural use. No running water is available to private growers and very few make any attempt to store water near their garden areas. Until a few years ago, it was feared that the hydrological resources of the island would not be adequate even if agriculture could be greatly expanded. However, the Schofield Report on irrigation found that it would be safe to use 6000m a day from about 300 holes as was estimated at the height of the pressure front expansion. This was based on an estimated groundwater increment of about 300mm/year, which for the island's total area of 26,000 ha means a yearly intake of  $0.3 \times 26,000 \times 10^4$  cubic metres or 314,000 m/day. The requirement of 6000 m/day is small by comparison<sup>4</sup>. However it is very dubious whether the use of pumped irrigation water would be economic, given the low and fluctuating prices of agricultural exports.

The Niuean environment is thus one which gives poor returns to intensive land use and favours extensive operations. Traditional “bush garden” agriculture, which provides the islanders' subsistence crops, is of a shifting slash and burn variety, and only a few tree crops (particularly coconuts and limes) have been successfully established on a permanent basis. House gardens in the villages contain banana trees, but there has been no exportable surplus of bananas for some decades. Attempts in recent years to develop intensive passionfruit cultivation have been defeated by the short bearing life of the vines under Niuean conditions, and the large labour inputs required for weeding and pollinating; part time family ventures in passionfruit growing are apparently unable to sustain the management of even an acre of vines with the labour available, including children. In any case, the commercial returns on passionfruit have been consistently disappointing, despite intensive promotional and marketing efforts by the Niuean and New Zealand Governments (see Section 7.6 below). The land use pattern is shown in Table 7.1A.

TABLE 7.1A  
Land Use on Niue (1976)

| Land use classification                                                       | Area in hectares |        | Percentage of total area |
|-------------------------------------------------------------------------------|------------------|--------|--------------------------|
| Not available for agricultural use, house sites, buildings, roads             | 162              | 162    | 1                        |
| <u>Land available for agricultural production</u>                             |                  |        |                          |
| 1. Land which has never been used                                             |                  |        |                          |
| (a) under high forest (mainly very rocky)                                     | 2,540            |        |                          |
| (b) under coastal forest. (Rocky shallow soils exposed to salt inundation)    | 698              | 3,238  | 12                       |
| 2. Land not widely used at present                                            |                  |        |                          |
| (a) exceedingly rocky soils unsuitable for most subsistence crops             | 10,947           |        |                          |
| (b) Soils suitable for cash crops and subsistence production                  | 4,463            | 15,410 | 60                       |
| 3. Land at present producing subsistence and cash crops                       |                  |        |                          |
| (a) subsistence crops                                                         |                  |        |                          |
| Taro                                                                          | 142              |        |                          |
| Tapioca                                                                       | 10               |        |                          |
| Yams                                                                          | 10               |        |                          |
| Kumera                                                                        | 4                |        |                          |
| Fallow land needed to maintain an average 7 year rotation                     | 1,162            |        |                          |
| (b) Cash crops                                                                | 28               |        |                          |
| Passion fruit                                                                 | 17               |        |                          |
| Limes                                                                         | 17               |        |                          |
| Coconuts                                                                      | 1619             |        |                          |
| Development Blocks                                                            |                  |        |                          |
| Pasture and Coconut                                                           | 546              |        |                          |
| Pasture only                                                                  | 61               | 3,599  | 14                       |
| 4. Land formerly in production now largely abandoned (includes Niuean desert) | 3,276            | 3,276  | 13                       |
|                                                                               | 25,685           | 25,685 | 100                      |

Source: New Zealand Soil Bureau Bulletin No. 17 Appendices to the Journal of the New Zealand House of Representatives. Agriculture Department, Annual Reports.

## 7.7 The Characteristics of Agriculture

The lessons of the past show that Niuean agriculture exports follow the same cyclic pattern of growth, a short period of relative boom and then speedy decline and collapse as the Cook Islands. As the cattle, kumara and passionfruit eras indicated, agricultural industries do not have solid foundations and several factors in combination inevitably lead to failure. This is due to the characteristics of Niuean agriculture, the hazards of handling and shipping a product to a distant and often uncertain market and to the economic process of “backwash” from the New Zealand mainland. The great shortage of labour and its high cost is a factor of major importance. Most growers are part timers already enjoying a relatively secure public service salary and unwilling to undertake what, in effect, becomes a third occupation (their second one is taro growing and fishing). Hence their commitment to cash cropping for an uncertain market is bound to be shallow. Secondly, although some Niuean soils are not infertile, there is great difficulty in working the craggy, rocky terrain and the grower is required to shift frequently. Drought can be a problem and the lack of piped water can be critical. As the kumara weevil incident revealed, access to the New Zealand market is by no means easy; nor, once gained, assured. When trading with perishable produce, great efforts have to be made to arrange freezer capacity, deck containers on ships and that ships call sufficiently frequently. Even when market demand is extremely favourable, as with passionfruit in the mid 1970's, the scale problem (lack of large plantings) together with the fragility of this industry, based on high labour costs and dubious profitability, frustrates development. Thus while marketing difficulties can often be great, in the last resort we have to confront a production problem.

## 7.8 Passionfruit

The passionfruit cycle illustrates some important points about Niuean agriculture. Before the bubble burst, it appeared as if Niue had discovered her “Kiwifruit”.

The yellow variety of passionfruit (assiflora edulis var. flavicorpa) was introduced from Rarotonga in 1964. Experimental plantings had shown that the fruit grew well. Following a visit by A J Neil to Cottee's factory in Fiji in 1965 the first consideration was given to passionfruit as a commercial product. In 1967 a half acre plot was planted on a trial basis. Trial shipments and the discovery that passionfruit pulp could be successfully deep frozen led to further plantings. Mitchell (1977, 199) suggests that because of the limestone soils of Niue, yields of fruit were lower per hectare than in some other Pacific countries: 2015 kgms/ha as against 2747 in W. Samoa, and 3296 kg/ha in Fiji. Moreover the crop seems well suited to the climatic conditions and better adapted than most crops to cope with soil deficiencies.

The Passionfruit Development Scheme made it possible for growers to get loans from the Niue Development Board (NDB). All material (trellis supports, wire, seedlings and fertiliser etc) was supplied by the Board and the trellis erected by the Department of Agriculture as agents of the Board. Each time a member sold passionfruit to the Board half the proceeds were retained until the costs of developing and maintaining the area were recouped. Maintenance was carried out by the Department of Agriculture who sprayed the vines with fungicide and insecticide, fertilised the areas regularly and sprayed weeds with herbicides. These costs were also charged against the growers' accounts.

The introduction of incentive schemes stimulated the rapid development of passionfruit production. Although the hurricane of 1968 almost entirely destroyed the initial plantings and

dampened the growing enthusiasm, by 1972 the average income of scheme growers was double that of private growers and by 1974 the number of scheme members was substantially more than private growers.

The initial target was to plant 10 acres a year in acre plots to reach a total of 50 acres, a plan well suited to the lack of time available to part time farmers. However, enthusiasm was such, that the industry experienced steady growth. By 1973 35 acres were in production in 180 gardens. Up until 1972 the future demand for passionfruit on the New Zealand market was uncertain, but a decline in N.Z. production with crop disease coinciding with a steady (and later astronomic) increase in demand for passionfruit pulp with the boom in yoghurt and topping sales worked in favour of Niue. Although it was recognised at least as early as 1973 that a large amount of labour was needed for seeding and hand pollinating (Niue Economic PH 296/2/1/ April 1973), this was forgotten in the boom period. In 1972 passionfruit was the island's biggest earner, returning \$50,000 in gross income with \$40,000 of this being retained on the island in returns to growers and on island costs. Experts from UNDP were so impressed with the project that FAO granted US\$30,000 for equipment to be installed in a new processing factory that was built by the Government of Niue for the Development Board.

Externally, vigorous efforts were made to assist the Niuean production effort. Due to hold design and storage problems neither the Lorena nor Toa Moana of the N.Z. Shipping Corporation could carry frozen cargo outward from Niue but the Niue Development Board's marketing officer persuaded the Corporation to install freezer lockers in one of the holds of the Toa Moana. It was planned in 1975, to hire a deck container for use on the Toa Moana with a second one on an occasional voyage by the Lorena. The product was handled in New Zealand by Harrison and Crosfield and after a visit to Niue by one of their representatives they reduced their commission to a lower level than requested (from 10 percent to 6.25 percent) to assist the Niuean industry (the grower then received an extra 1 cent/lb).

Administration controls were implemented from January 1971 to ensure that there were no imports of passionfruit pulp into New Zealand other than Niue's. In 1973 the industry was assured of sales for the whole of the product before it left Niue. The Department of Trade and Industries (D.T.I.) deferred an application to import \$15,000 of pulp and juice from Fiji in 1974. After the visit of the Niuean Premier and senior officials, the D.T.I. tried to obtain a comprehensive and accurate picture of the market for processed passionfruit in New Zealand.

When the market “exploded” in 1974 it soon became apparent that Niue could not meet all the orders accepted. Fearing competition from other countries in the New Zealand market the Niue Development Board lobbied hard to exclude them from the granting of additional import licenses and urged the acceptance of imports from Tropic Islands Ltd of Fiji for 1975 only when Niue could not meet all its commitments. The Comptroller of Customs pointed out that the Niue Development Board was on tenuous ground in accepting commitments from other countries for their domestic shortfall:

“The Government of Niue is being facilitated to trade its passionfruit pulp in this country and there appears to be no compelling reason to accept an assumed right to manipulate imports from other sources” (Comptroller of Customs to Secretary MFQ, 8/11/76, PH 269/2/1).

By November 1976 the N.Z. Representative reported that “the first flush of enthusiasm is now over, the small areas are now past bearing and have not been replaced.” Once the decline began it could not be stopped. Several factors seem to be relevant: the vines lasted only four years and costly replanting could only be done once between the initial row of vines.

In spite of their quite high fertility, Niuean soils require most crops to shift after a few years. Moreover, the costs of establishment are especially heavy. As Mitchell (1977, 233) has shown, Niueans growing passionfruit were drawn from all groups and occupations. Many public servants were involved for they would be the first to appreciate that substantial loans were available from the N.D.B. loans that often were not repaid. Often one must wonder about their commitment to growing the crop seriously. Since most growers were part timers the question of how much time they would allocate to passion fruit cultivation becomes highly relevant. In a survey of the average allocation of time by males 20-50 years Mitchell (1977: 233 34) found that from 5 to 15 hours were devoted to subsistence activities including agriculture. To expect them to allocate an additional 5-15 hours for cash cropping i.e. to undertake a third occupation in the course of each week is scarcely realistic. This fact exposes the basic weakness of cash cropping on Niue. Yet the crucial problem with passionfruit is that it is a labour demanding crop - especially for hand pollinating and weeding. UNDAT (1981) estimated that hand pollinating required 1.2 labour units per acre, 130 days at 4 hours a day. Large growers earning in excess of \$1,000 spent from 28-35 hours in maintenance and weeding per week. For such a high labour crop which also required high inputs of fertiliser (fortnightly dressings), pesticide and disease control, very large yields were required for the crop to be profitable. Although harvests of 8 tons per acre were talked about, yields did not often exceed 4 tons per acre and frequently they were only half of this. In an analysis based on a yield of 5 tons per acre in years two to four (above average), UNDAT calculated that current subsidies of over \$223 per tonne permitted a small return to the private grower of \$189 per tonne as reward for his labour and management (approximately \$1 per hour). Excluding subsidies, the loss would have been \$34 per tonne. While the net returns to labour appear to have been higher than for copra the profit calculated by Mitchell (1977) for a standard acre holding was only \$18 for 1969 and marginally less (\$20) for 1977, a period when grower interest was visibly waning. A rapid rise in price from 17 cents per kilo to 20 cents in late 1976 and then another rise to 22 cents did not stem the decline.

Throughout the 1970s it was often claimed that passionfruit is “the biggest money earner for primary producers”. In 1983 the NDB produced about 70 percent of the total crop. It had about 100 acres available for the crop, of which 72 acres were planted in March 1982. A large part was in poor condition by 1983. Yields were claimed of 4.5 tonnes/acre on 28 of the 72 planted acres, but it appears that the average yield was much below this.

In 1983 Brook and Cole calculated that even at 4.5 tonnes/acre it was doubtful if the crop was profitable. Thus, 6 pollinators per 2.5 acres covering flowering over 150 days a year excluding Sundays would cost \$999/acre for pollinating. Since the value of 4.5 tonnes at 30 cents/kg is only \$1350 74 percent of the total value of the crop is spent in labour for pollination. (Brook and Cole 1983: 4).

While high labour and other costs and only mediocre harvests appear to be the prime reasons for declining interest by the grower, an increased disease problem, inefficient pollination, a drought in 1976, the need to replant vines, and problems experienced by growers with the Department of Agriculture all contributed to the decline. Growers felt that they had little

control over the costs involved in production with the Department and NDB taking such dominant roles. Many growers were annoyed at being charged for spraying and fertilising without being notified of the necessity of those actions. Every time the Departments' employees visited the target of paying off the debts became more remote. Moreover it was felt that some Departmental employees were inadequately supervised. Some destroyed vines by inadequately flushing out spray tanks after using the herbicide paraquat; afternoon (rather than morning) spraying with pesticides can kill young buds (Mitchell 1977: 212-13).

At the height of the boom some years earlier growers had expanded from ¼ acre plots to 1 and then 2 acre vineyards. Finally they were even urged to plant 5 acre orchards. It is clear that with the lack of labour available, vineyards much larger than ¼ acre “backyard” sections near the home were unrealistic. As the gap between island production and orders widened desperate efforts were made to bridge the gap. The NDB planned 20 acre orchards to replace the small vineyards of ordinary growers. By 1977 the promises of the NDB marketing officer in Auckland that the shortfall in Niue production would be made up “next year” were beginning to wear rather thin. Whereas a production order of 100 tons had been promised, only 60-80 tons were actually exported. Harrison and Crosfield, importers of passion fruit pulp, gave gloomy predictions of future Niuean production. The manager of the Auckland Milk Corporation, the largest user of Niuean passionfruit imports began to express an interest in Samoan suppliers. He was however encouraged to visit Niue to inspect the new plantings and a letter from Mr Adams-Schneider, the Minister of Trade, urged the Corporation to continue to support Niue. In Niue a task force was formed by the government to deal with the situation: 100 acres of vines were to be planted (and 100 acres of limes), incentives and loans were to be provided to growers operating “on a commercial scale” and a full investigation of the problems of pollination was carried out. While the Ministry of Foreign Affairs declared that these measures were “expected to double production in 1978”, they agreed that if the Auckland Milk Corporation could not be supplied by imports from another source, it should be granted an import licence, since their production of certain lines had stopped. (SFA to SDT1, 23 Sept 1977). The task force was to assist the NDB in launching a “gigantic effort” to increase production and there is no doubting the earnest efforts of some of the people involved. A New Zealand D.S.I.R. scientist laid much of the blame on inefficient pollination by untrained adults and children and inadequate imports of fungicide to cope with the increased crop disease. With improved management techniques, production “could increase from 75 tonnes in 1976 to 300 tonnes in 1978”. Unfortunately Niue has experienced too many foreign “experts” whose promises turn out to be false, since their analysis has been faulty.

Finally, Hurricane Ofa in 1980 destroyed many of the remaining vines, completing the collapse of the scheme. Today, apart from a small number of healthy plantings, many derelict rows of vines testify to vanished hopes.

#### 7.9 Some comments on exports and imports, 1944-1971<sup>5</sup>

1944: Higher quantity of copra produced. Storm damage to crops in 1944 which effected exports. Kumara consumed locally.

1945: Bananas recoved from 1944 storm. New Zealand markets take kumaras. Australia takes plaited ware.

1946: Copra price rise. Shipping problems for plaited ware. Imports up through Administration purchases.

- 1947: No bananas this year because of problems getting shipping not to call on the Sabbath when the Niuean will not work. Very good prices for copra, tripled since 1945.
- 1948: Bananas revived. "Considering the limited revenue derived from these exports and from other sources and the continual expenditure and development programmes undertaken with the encouragement of the New Zealand government Niue at her present rate of production cannot be self supporting. To meet the island's yearly deficit, due mainly to the increasing costs of labour and materials employed in maintaining and improving public services and to the introduction of facilities to increase the volume of trade special and general subsidies are granted by the New Zealand government".
- 1949: Nine year copra contract with the United Kingdom. New Zealand Marketing Department buys bananas. Plaited ware suffers from overseas competition.
- 1950: Fruit Distributors now handle bananas. High price for copra takes attention of growers from bananas.
- 1951: Kumaras down because of high price for other products. New Zealand Waterfront dispute disrupts shipping.
- 1952: Potato shortage in New Zealand stimulates sales of kumara, price to producers rises from 1d/lb to /lb. A good part of the deficit this year comes from the final payment to the N.Z. Ministry of Works for the construction of a new Residency.
- 1953: Copra price £70/5/3d ton. Potato shortage in New Zealand keeps demand up but price falls with increased supply.
- 1954: Copra price falls on 1/1/55 to £65/4/10d ton. Potato glut in New Zealand causes low prices, Administration subsidises at a 1/ bag. Bananas up but still behind pre war levels.
- 1955: Kumaras almost ceased due to low price in the year before. Increase in copra exports though a complaint about its quality, dirty through sun drying. Storm damage in early 1956 reduces banana output, 376 cases not loaded due to bad weather, Administration advises that they are likely to lose shipping if amounts do not go up.
- 1956: Kumaras still low because of low 1954 price. Bananas a disappointment to the Administration.
- 1957: Drought in 1957. Increase in N.Z. price stimulates production of kumaras. Banana price goes up, quantity produced goes up.
- 1958: Bananas suffer from the drought of the preceding year, then they have a hurricane. Taro suffers from the drought so the Niueans plant kumaras.
- 1959: Level of imports blamed on construction. The February 59 hurricane destroyed much of the copra crop. Some kumaras consumed locally.

"The export of kumaras is controlled as much as possible to ensure that it does not interfere with the New Zealand potato and kumara crop since the Niuean prices depend on these prices".

- 1960: Second hurricane, January 1960. No copra for this reason. Affects bananas too.
- 1961: Missing.
- 1962: Reports say no copra, figures say small amount. People busy rebuilding houses. Bananas behind expectations. Many bags of kumaras exported but found to have black rot.
- 1963: Black rot still a problem. Effects of hurricanes still felt. Imports are heavy because of rebuilding.
- 1964: Copra up. Bananas up but expected more, road building programme to give better access to plantations. Percentage of black rot down.

1965:Black rot mostly dealt with. Bananas and copra unaffected.

1966:Report on Colonialism for the U.N. "To some degree the dilemma of reconciling isolation and meagre resources with a desire to retain the individuality of their own community" forces the 2,000 people of the Tokelau Group and the 5,000 people of Niue in to a problem of an even more acute form than the Cook Islanders have experienced. "If a degree of economic viability is a far distant prospect for the Cooks it is a chimera for these specks of coral with their thin infertile soils and unreliable rainfall".

1966:Fall in output blamed on the weather and lack of interest on the part of growers.

1967:Dry weather throughout the year. Copra plantations overgrown. Kumara weevil found.

1968:Hurricane February 1968. 12% coconut trees destroyed. Bananas down and no more expected for at least fifteen months. Black rot and kumara weevil found.

1969:Hurricane effects copra, bananas and honey. Weevil restricts kumaras.

1970:Copra starts to build up again, still low.

1971:Higher price for copra stimulates production in the second half of the year. No bananas.

### 7.10 Agricultural Policy

The policy most likely to succeed is one which recognises these basic characteristics and chronic difficulties. A two fold strategy seems to be appropriate: (1) encouraging ¼ acre "backyard" gardens adjacent to dwellings, and (2) large scale, extensive farming, of the "plantation" or estate kind. Backyard gardens can produce supplementary income, but even moderately intensive production is only likely to be achieved on these gardens for very high value crops. Limes isn't really very high value, but it is a crop that fits into ¼ acre garden type, since the labour demand is not high.

A considerable area of this large, empty island, could perhaps be farmed economically if scale economies were employed. The most promising possibilities appear to be beef production on improved pastures (green panic and other grasses) on an estate basis since the climate does have a short dry season, and cattle under coconuts, an ecological combination that is well proven in the humid tropics. The rationale of beef production is import substitution: the island imported \$338,000 worth of meat products in 1982. Much of this large sum could perhaps be saved by a vigorous policy of extending cattle grazing. Animal health is good (internal worms can be controlled by drenching) and cattle have very good growth rates, with 2 year steers killing out at 500 550lb carcase weight. The local demand would appear to be for 8-10 beast/week if available.

Cattle under coconuts recognises the continued importance of coconut to the Niuean economy and the recent promise of coconut cream exports a new development that warrants full encouragement. Both the establishment of extensive pastures and cattle with coconut plantations would require costly investments; their economic feasibility needs to be carefully studied. Success in any case is likely to depend on the quality of management. It is doubtful if any Niuean manager is available: there have been only one or two fully trained agronomists produced from Niue and unfortunately one was serving the Government as Consul in Auckland.

Finally, it must be stressed that the island cannot afford to be without a competent agricultural economist, otherwise it is likely to repeat the mistake of the passionfruit era in the vain



pursuit of illusory profits. Some serious omissions in basic assumptions have occurred in the past as Markwell (1980) has noted with respect to limes.

Extensive cattle ranching might also form the basis of limited exports to Tonga and Samoa. It has, however, proved impossible to protect cattle against poaching under the existing system of customary land tenure. Indeed the whole project would depend on improved relations between villagers and the management of such a ranch.

The vital importance of continuity in agricultural policy and for skill in key positions to build on proven achievement and research findings needs to be borne in mind. Thus in the late 1960s when a New Zealand officer went to Niue a ten fold increase in legumes was achieved with the application of zinc. After pasture trials in the Vaiea area a large area of reasonable quality pasture was gradually built up based on green panic (Panicum maximum var. Trichogluma) and the legume siratro (Macroptilium atropurpureum) which carried more than one head of cattle per acre. After the return of the officer to New Zealand there was a lack of expertise and after one or two drought years the pasture was opened up and ratstail appeared. Unwisely the ratstail was sprayed with 24D which also knocked out the legumes. The nutrient level of the pastures then began to decline and when nitrogen became deficient the whole pasture area became infested with ratstail and other weeds. It is essential to maintain records on pasture establishment techniques in the past.

Similarly it is vitally important to guard jealously those comparative economic advantages that Niue does possess. Thus the Mexican limes of Niue are considered of superior quality and are disease free. Recently an officer in Niue was about to import a range of overseas varieties of citrus with the idea of testing them under local conditions. Such innovations however brought the very strong danger of importing some citrus disease that would have infected the local limes; fortunately the imports were cancelled in time. (Money 1982b: 6-7)

#### 7.11 Niue as Part of the New Zealand Economy

So long as Niue remains economically integrated with New Zealand, the island suffers from absolute competitive disadvantage in virtually every line of productive activity. Trading activity and government services are therefore the backbone of the system; and in the absence of opportunities for profitable investment onshore, there seems to be a steady flow of savings out of Niue to New Zealand, partly offsetting the inflow of governmental assistance. The island's present "success" with exports of lime juice and coconut cream owes less to any inherent comparative advantage than to the fact that Niue has "captured" a capable individual entrepreneur able to hold his own in the world of administered pricing and oligopolistic competition. Whether Niuean coconut cream is competitive in the long run against low wage competition from elsewhere in the Pacific remains to be seen. Niuean lime juice seems likely to hold a permanent market niche in New Zealand and possibly Australia, but offers little prospect for large scale future expansion.

Extensive cattle ranching clearly holds commercial promise in the area of import substitution, and might form the basis of limited exports to Tonga and Samoa. It has, however, proved impossible to protect cattle against poaching under the existing system of customary land tenure, which renders fences and gates permeable.

All in all, it is significant that the parallels which Niuean political leaders draw between Niue and New Zealand refer to the Chatham Islands or the poorer areas of Northland. In the context of the New Zealand economy, Niue is an area of marginal land, the exploitation of which can be sustained only by permanent subsidy. It follows from this that productive activity in Niue must be promoted, if at all, not for commercial returns but for reasons relating to social policy. It is, however, difficult to envisage any rejuvenation of morale and cohesion in the existing Niuean society via the agency of yet another “development” programme in agriculture (although such programmes probably play an important on-going role in legitimating the existence of a large number of otherwise- redundant public servants).

#### 7.12 An Outlet for Tongan Resettlement?

The exception to the conclusion in the preceding paragraph lies in the possible utilisation in Niue of cheap “surplus labour” from overpopulated territories such as Tonga. By allowing the emergence of a large low wage enclave in Niue, it might be possible both to repopulate the island to the point where the public service once again has a public to serve, and to secure a genuine lift off of commercial agriculture and small industry. While economically feasible, however, such a policy would encounter severe political obstacles. Niueans would be likely to agree to large scale Tongan settlement only if they were themselves guaranteed the status of a ruling unproductive elite on the Nauru model; and New Zealand labour organisations would no doubt strenuously oppose free entry to the New Zealand market for competitively priced goods from Niue under such conditions. If, however, a genuine alternative to the economic status quo is to be promoted, it is here that the most obvious possibilities lie.

#### 7.13 The Case for Radical Surgery

On the assumption that in practice the status quo will be maintained, it is important for policy makers not to indulge in delusions about the economic potential of Niue as the economy is now structured. Neither land tenure reform nor more stringent controls over public finance offer more than palliatives; the first could facilitate some extensive land development for (say) cattle ranching, but at the risk of a collapse of subsistence agriculture, unless reforms are carefully designed. The second, while easing the consciences of New Zealand aid officials and averting the present risk of politically embarrassing financial scandals, would leave untouched the basic reason for laxity in Niuean public finance, namely the absence of socially useful activities to occupy much of the Niuean public service<sup>6</sup>. When all participants in a system such as the public service can see that much expenditure goes straight to waste and indeed when a public service has been designed to promote this process it is difficult to secure willing adherence to high standards of propriety in the management of public moneys. In a small and tight knit society such as Niue, furthermore, it is extremely difficult to design any effective set of sanctions with which to enforce public service discipline.

Under these circumstances, the risks associated with radical surgery are relatively low in comparison with the potential benefits. Niue will not cease to be a charge on the New Zealand taxpayer, but the existing system of channelling subsidies almost entirely in the form of public service salaries has little to recommend it. The case for performance related incentives in the provision of New Zealand financial assistance is strong; this in turn implies a substantial re thinking of the existing constitutional relationship with New Zealand, and in

particular a recognition by New Zealand that the political re integration of Niue into New Zealand, on appropriately designed terms, has to be taken seriously.

#### 7.14 Population

Table 7.1 and Figure 7.1 trace Niue's demographic history over the past century. Two periods of depopulation stand out clearly: the first from about 1890 to the early 1920s, when high mortality and a substantial flow of out migration to Tonga and the phosphate islands led to alarm among the New Zealand administration, and measures to restrict outward migration were imposed, accompanied by efforts from the 1920s on to improve standards of public health. Population then rose rapidly for about four decades, until by 1966 it had returned to the level of a century earlier (about 5,000). Out migration to New Zealand then began to make dramatic inroads into the locally resident population, especially after 1971. The correlation between the mass exodus of the 1970s and the onset of self government (1972-1974) seems too strong to ignore, especially since the constitutional changes occurred in a climate of great uncertainty and insecurity over the maintenance of prized links with New Zealand. The inclusion in the 1974 Constitution of explicit reference to these ties does not seem to have sufficed to reassure Niueans.

FIGURE 7.1

NIUE POPULATION, 1859 - 1981

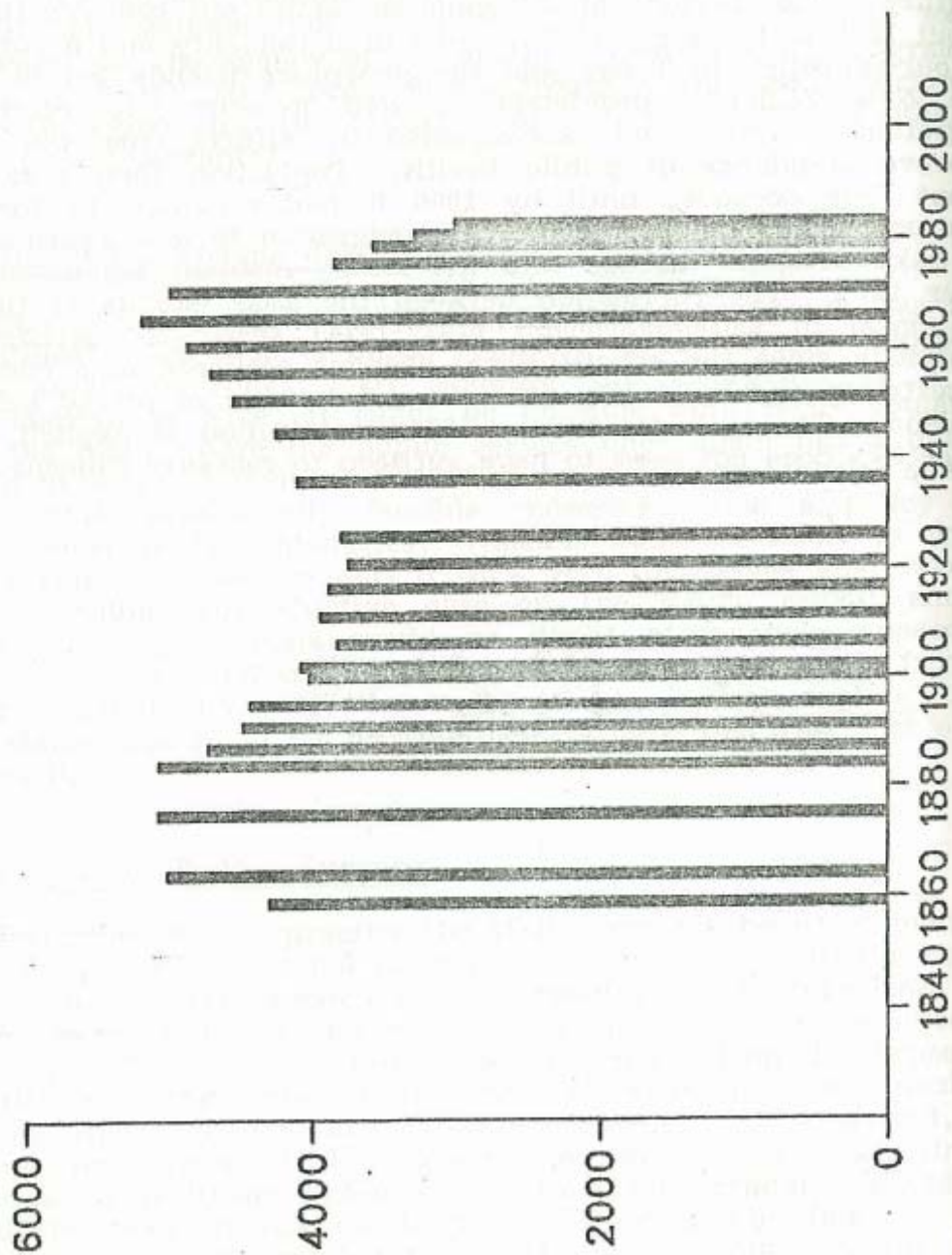


TABLE 7.1  
NIUE: POPULATION

| Year | De facto population |        |        | De Jure population |
|------|---------------------|--------|--------|--------------------|
|      | Male                | Female | Total  |                    |
| 1959 | 4,300               |        |        |                    |
| 1864 | 5,010               |        |        |                    |
| 1875 | 5,076               | 5,454  |        |                    |
| 1884 | 5,070               | 5,573  |        |                    |
| 1887 | 4,726               | 5,089  |        |                    |
| 1891 | 4,482               | 4,851  |        |                    |
| 1895 | 4,433               | 4,854  |        |                    |
| 1900 | 1,765               | 2,250  | 4,015  | 4,576              |
| 1902 | 1,908               | 2,166  | 4,074  | 4,492              |
| 1906 | 1,774               | 2,048  | 3,822  | 4,402              |
| 1911 | 1,855               | 2,088  | 3,943  |                    |
| 1916 | 1,828               | 2,052  | 3,880  |                    |
| 1921 | 1,736               | 2,014  | 3,750  |                    |
| 1926 | 1,781               | 2,014  | 2,795  |                    |
| 1936 | 1,991               | 2,113  | 4,104  |                    |
| 1945 | 2,054               | 2,199  | 4,253  |                    |
| 1951 | 2,231               | 2,322  | 4,553  |                    |
| 1956 | 2,279               | 2,428  | 4,707  |                    |
| 1961 | 2,404               | 2,460  | 4,868  |                    |
| 1966 | 2,533               | 2,661  | 5,194  |                    |
| 1971 | 2,507               | 2,483  | 4,990  |                    |
| 1976 | 1,928               | 1,915  | 3,843  |                    |
| 1979 | 1,823               | 1,755  | 3,578  |                    |
| 1981 | 1,671               | 1,607  | 3,278  |                    |
| 1982 |                     |        | 3,000* |                    |

\*Official estimates based on the (unpublished) 1981 census.

Between 1971 and 1981, Niue's population fell by more than one third, and the exodus seems to be continuing (offset slightly in recent years by a countervailing influx of Tongans<sup>7</sup>, many of them descended from the Niuean migrants of 1900-1920). Provisional results from the 1981 census show a population total of 3,278, nearly 1,000 of whom were in Alofi. Of 609 houses enumerated, 169 were unoccupied; 105 of these were in the "back villages" of Makefu, Tuapa, Hikutavake, Toi, Lakepa and Liku. Population aged fifteen years and over was given as 1,959, of whom 977 were "economically active in money earning activities", 900 of them as wage and salary earners, and 784 of these (80% of the economically active population) apparently working for Government<sup>8</sup>.

Overwhelmingly the main destination for recent out migrants has been New Zealand, where the Niuean born population has risen from 2,014 in 1966 to 2,912 in 1971, 4,379 in 1976 and 5,091 in 1981<sup>9</sup>. While there are here some signs of a slackening in the rate of migration in the later 1970s, the 712 new migrants of 1976-81 represent 19% of the 1976 population of Niue.

Table 7.2 shows the migration figures since 1969; the sharp peak of emigration in 1972-73 (the years following completion of the airport, and when self government was looming on the horizon) is the most obvious break in the overall trend, and it is only in comparison to this peak that the migration rate has shown any sign of falling. Figures for the last three years do

not suggest any tailing off of the outflow of Niueans, particularly when it is noted that the arrival figures in Table 7.2 include possibly as many as a hundred Tongan immigrants per year.

TABLE 7.2

ARRIVALS, DEPARTURES, AND NET OUT MIGRATION, 1969 1983

| Year | Arrivals | Departures | Net out migration |
|------|----------|------------|-------------------|
| 1969 | 290      | 453        | 163               |
| 1970 | 251      | 594        | 343               |
| 1971 | 403      | 705        | 302               |
| 1972 | 498      | 995        | 499               |
| 1973 | 533      | 1,010      | 477               |
| 1974 | 740      | 966        | 226               |
| 1975 | 876      | 910        | 34                |
| 1976 | 982      | 1,147      | 165               |
| 1977 | 1,345    | 1,420      | 75                |
| 1978 | 1,606    | 2,068      | 462               |
| 1979 | 1,936    | 2,135      | 199               |
| 1980 | 1,851    | 2,190      | 339               |
| 1981 | 1,438    | 1,508      | 70                |
| 1982 | 1,662    | 1,776      | 114               |
| 1983 | 1,808    | 1,991      | 183               |

Sources: Niue Abstract of Statistics 1980, p. 7; Quarterly Abstract of Statistics, March 1984, pp. 2 & 4.

Table 7.3 shows the sources of population change. Crude birth rate has held steady during the past decade and has shown some upward trend in the early 1980s (probably a standard demographic response to depopulation). Crude death rate has been stable at quite a low rate. In the absence of out migration, Niue would have a rate of natural increase in excess of 2% p.a.

TABLE 7.3

SOURCES OF RECENT POPULATION CHANGE: PERCENTAGES

| Period  | Crude birth rate | Crude death rate | Crude migration rate | Rate of population change |
|---------|------------------|------------------|----------------------|---------------------------|
| 1971-76 | 2.7              | 0.7              | 6.5                  | -4.5                      |
| 1976-81 | 2.7              | 0.8              | 6.0                  | -4.1                      |
| 1982-83 | 3.0              | 0.7              | 4.6                  | -2.3                      |

Sources: Calculated from same sources as previous table. For each period, crude rates are calculated as average births, deaths etc. for the period divided by average population. This may produce some upward bias for a period of rapidly falling population. May need recalculating on a different basis.

## 7.15 A View of the Migration Process

The Niuean is conscious of being a Niuean with a distinctive culture but he also sees himself as a New Zealand citizen and Niue as part of New Zealand. The fact that the Niuean economy is a part of the larger mainland economy and the “special relationship” which includes New Zealand citizenship for all Niueans, explains the relative freedom of people to move back and forward between Niue and the mainland.

The Niuean has always been accustomed to mobility. There are no archaeological signs of intended permanency in early settlement patterns and it is possible to assert that the Niuean has always been a would-be migrant. Moreover, the act of moving to New Zealand is not final; many people go just for a visit but end up staying permanently. In interviewing several members of the poorer households in Hakupu village (i.e. families having few regular wage earners) it became apparent that many people still living in Niue have paid at least one, and often several visits, to New Zealand to see relatives. All that is needed is the \$580 for an air ticket plus “a bit of food” for the relatives - which is not regarded as a particularly large sum. Many go with only a one way ticket, knowing that the relatives will help. Often the initiative comes from a family member in New Zealand sending a one way ticket.

It was suggested that migration became significant when education and health services became important<sup>10</sup>. The improvement of these services in the 1960s and the growth of the public service did not prevent out migration: indeed the stirrings of the migration movement seem to reflect the loss of an earlier stability, with migration being a response to a deep seated form of social change. Even although people could get a new house easily from the New Zealand funded housing programme following the 1959 and 1960 hurricanes, this did not induce everyone to stay: indeed many moved out. The opening of the airport in 1971 made it very much easier to leave.

The size and isolation of Niue continue to be important, for with an education system that is increasingly preparing islanders for employment on the mainland, some people feel that life on the island deprives them of many opportunities. Basically, people wish to acquire the usual material possessions associated with the “good life”, and if they feel that their chances of acquiring these things on Niue are being frustrated they are likely to migrate. In general it is a rational choice between all those factors that constitute the benefits/costs of migrating to New Zealand (people think of positive benefits first) compared to the benefits/costs of remaining on the island<sup>11</sup>.

With most families having over half of their members now living in New Zealand, it is probably more pertinent to enquire “Why do people stay in Niue?” But it is not always a hard decision about going or staying as the frequency and fluidity of the visiting of New Zealand relatives indicates. And while the people who return to the island on holiday talk of the good things in New Zealand (the folk stories of lighting a cigarette with a \$5 note after a win at the races, and the like), many people realise there is another view of life in New Zealand the problems of unemployment, housing shortages and of ending up “at the bottom of the heap” in New Zealand society. But those who made a mistake in migrating, who fail in New Zealand, are usually too ashamed to admit it, of passing back such bad news through the gossip network. So the “positive” images seem to dominate in decision making.

It is difficult to determine the set of factors which often prompt some people to leave, for often people who are well off or have good jobs choose to leave. The whole process of training people to fill public service positions, and rapid promotion to fill vacancies, is itself very unsettling, and the drastic depopulation induces social malaise and low morale. Even where people are educated or trained to a high degree to meet Niue's special needs, there is a feeling that the island is "too small to hold them". Increasingly, many of the younger people seem to perceive the mainland as the attractive "core" and Niue as the poor "periphery".

#### 7.16 Balance of Payments

Figure 5.4 traces Niuean exports and imports over the period 1902-1983, in terms of constant 1982 dollars. Two features stand out. The first is that the average growth rate of Niuean export earnings in real terms over the past 80 years has been zero. This in turn suggests the existence of a rather well defined "ceiling" on export production, presumably related to the physical capacity of Niue's natural resource endowment to yield an exportable surplus under prevailing conditions of land tenure and agricultural technique.

The second feature is the take-off of commodity imports after the Second World War, initiating a steady growth at about 3.5% p.a. in real terms which has been sustained (with occasional hiccups) to the present day. In per capita terms, the increase of real import purchases is higher - increase over the 36 years of 4.5% (the increase during the 1970s was considerably faster than this, since depopulation has been a phenomenon of the past decade or so). The beginning of Niue's drive towards "import affluence" coincided with a shortlived burst of higher export earnings associated with high commodity prices around the time of the Korean War; but the real driving force behind the import growth has always been the inflow of New Zealand financial subsidies<sup>12</sup>, which have flowed back out as payment for rising imports. (There is, of course, nowhere much else they can go, apart from capital flight, of which there seems to have been a certain amount).

Table 7.4 assembles data on export earnings, commodity imports, and the size of the annual New Zealand Government grant to Niue. It can be seen that the New Zealand grant has consistently run ahead of Niue's trade deficit, indicating that "invisible" flows run from Niue to New Zealand rather than vice versa. There is, therefore, no indication here of any large scale net remittance of funds into Niue by the private sector, even taking into account the fact that some goods imported directly by Government have probably been missed in the import statistics. Some indication of the low level of net remittances into Niue is also provided by Post Office figures on money orders issued and cashed during the 1981/82 year<sup>13</sup>, which show an inflow to Niue of \$301,000 and an outflow of \$400,000 for the year. This picture of net outflow of funds appears to be the norm, according to the Post Office staff.

#### 7.17 New Zealand Subsidies - The Driving Force of the Economy

The balance of payments data thus confirm the picture already drawn, of an economy entirely dependent for its dynamism upon the inflow of government financial assistance to sustain local purchasing power. In turn, the availability of this ready source of finance for imports leaves no room for the economic adjustments towards more productive activity which would be forced to occur if aid were to stop. This crowding out of productive activity by aid - the classic "Dutch disease" syndrome should not, of course, be read as implying that Niue's



existing living standard could be sustained by local production in the absence of aid quite the contrary. If aid were to be withdrawn, the economy's adjustment would take three forms: out migration, increased productive activity by those remaining, and a shift to permanently lower levels of real income.

TABLE 7.4  
SOME DATA ON NIUE'S BALANCE OF PAYMENTS  
(NZ\$000 of 1982, annual averages)

| Period  | Exports | Imports | Apparent<br>trade balance | Philateli<br>c<br>revenues | N.Z.<br>grant | "Invisible"<br>residual |
|---------|---------|---------|---------------------------|----------------------------|---------------|-------------------------|
| 1935-39 | 522.5   | 620.7   | -98.2                     |                            |               |                         |
| 1940-44 | 539.7   | 626.3   | -86.6                     |                            | 229.6         | -143.0                  |
| 1945-49 | 930.2   | 1,227.9 | -297.7                    |                            | 1,050.6       | -752.9                  |
| 1950-54 | 1,101.2 | 1,698.8 | -597.6                    |                            | 1,050.6       | -453.0                  |
| 195-59  | 785.8   | 2,184.0 | -1,398.2                  |                            | 2,132.7       | -734.5                  |
| 1960-64 | 518.2   | 2,540.5 | -2,022.3                  |                            | 2,292.7       | -270.4                  |
| 1965-69 | 488.8   | 3,117.3 | -2,628.5                  |                            | 4,065.3       | -1,436.8                |
| 1970-74 | 608.0   | 3,172.1 | -2,564.1                  |                            | 4,699.5       | -2,135.4                |
| 1975-79 | 483.2   | 4,301.7 | -3,818.5                  | 500?                       | 6,105.0       | -2787.3                 |
| 1980-83 | 568.0   | 3984.2  | -3416.2                   | 405                        | 5352.8        | -2341.6                 |

#### 7.18 Aid and Productive Activity

The question thus raised is whether increased productive activity could (and should) be induced without withdrawing aid, and without triggering out migration and falling living standards. The answer appears to be that in theory, at least, it might be possible to achieve such an end by linking a progressively greater proportion of the aid inflow to productive performance for example, by paying out aid moneys as income supplements to successful producers, rather than as salaries to civil servants. The existing Constitution, however, would make such a change rather difficult, since it explicitly loads onto public service employment, the task of sustaining the level of local economic activity<sup>14</sup>.

It will be noted from Table 4 that since self government, income from philatelic sales has been more or less equal to the total earnings from other commodity exports. As in the case of Tuvalu, it seems desirable that stamps should be recorded in Niue's export statistics, since they are the most successful, and most readily sustainable, export product. Since the ratio of sales income to production cost of stamps is very high, the great bulk of revenue is pure rent (a transfer of surplus), which makes stamps highly profitable even in Dutch disease economies, once the world market is properly tapped.

#### 7.19 Philatelic Sales and Financial Accountability

There seem to be grounds for suspecting that the official data under record the actual level of Niue's income from philatelic sales. The country has a contract with Finbar Kenny on what seems an identical basis to the Cook Islands contract namely, a fifty percent share of gross proceeds. It is in Mr Kenny's interest fully to exploit the world market for the stamps of those countries for which he acts as agent. There being no obvious difference (nor any reason for

any difference) between the marketing strategies pursued with Cook Islands and Niue stamps, it is hard to see why gross revenues from Niue's stamps should be only half those from Cook Islands stamps. Philatelic revenue in the Cook Islands is presently running at a level of about \$800,000 per year, compared to the official Niue estimate of \$400,000 or less. In this connection, it is interesting to note the following comment, from the Auditor General's report on the 1982/83 public accounts:

“Once again it is necessary to observe that little or no control has been exercised over the collection of philatelic revenue for the year. The representatives appointed by the Niue Government to exercise controls to ensure that revenue due is fairly and accurately assessed have conducted no further inspections since last audit. The final payment received from the Philatelic Bureau for the year was accepted without any check by the Treasury staff to confirm that it was correct.”

Since then there appears to have been no change in this situation.

The issue of philatelic sales is something of a test case, for it raises the fundamental constitutional question of the consideration by the Assembly of the Auditors Reports and the holding of the Executive to account for all revenues received and expenditures made on behalf of the Niuean Government. Yet it appears that questions asked in the Auditor's Reports each year since 1978 have continued to be unanswered. What is the reason for the Assembly consistently over the last 5 years failing to pursue its duty (Niue Constitution Act 1974, Clauses 56 to 60)? What should New Zealand do about it? Such issues may of course be affected by the role of a few members of the political elite in economic and political areas (see also Chapter 11).

In recent years there has been some concern in Wellington over the question of financial management in the Niue Government. A major reason for this appears to be the rapid turnover of key staff and the lack of qualified accountants. One previous Financial Secretary introduced a system of monitoring the expenditure of each Government Department over the last three months to avoid over spending. However, the system had been discontinued by his successor and in 1983 expenditures exceeded estimates by \$500,000. In the last three years there has been a cumulative over run of about \$1.7 million. The appointment of a competent expatriate accountant in April 1984 was intended to improve the situation and lay the basis for good financial management.

## 7.20 The Government Sector

The Government is the key sector in the Niuean economy, and the dominant source of cash income for the population<sup>15</sup>. 80% of the economically active population work for the government, for salaries and wages which total around \$4.5 million (\$0.4 million of which is second round wages and salaries paid from money “recycled” through government trading arms). The \$4.1 million of first round payments of government salaries and wages compared to total FOB export earnings of around \$600,000 p.a.

The funding of the government is mostly external, so that a large part of its expenditure represents a net injection of income into the Niuean economy. The present structure of public finance, with a permanent internal deficit equivalent to half or more of total expenditure, dates from the 1940s, when the New Zealand administration embarked upon programmes of education, public health, and construction designed to raise local living standards. The 1948 annual report of the administration made it clear that New Zealand had embarked with open eyes on a set of policies which implied permanent subsidisation of the Niue budget<sup>16</sup>:

“Considering the limited revenue derived from ... exports and other sources and the continual expenditure and development programmes undertaken with the encouragement of the New Zealand government Niue at her present rate of production cannot be self supporting. To meet the island's yearly deficit, due mainly to the increasing costs of labour and materials employed in maintaining and improving public services and to the introduction of facilities to increase the volume of trade, special and general subsidies are granted by the New Zealand Government.”

Initially, the government deficit arose from the costs of providing ongoing services to the community mainly education and health. In the later 1950s and early 1960s, however, there was a pronounced shift of emphasis towards investment in new physical infrastructure first the housing programme following the 1959 and 1960 hurricanes; then a series of “development” schemes (airport, roading, water reticulation, electrification, the fruit processing factory and the cattle scheme).<sup>17</sup> Consequently, by the 1970s Niue had a government sector large enough not merely to sustain the delivery of services (e.g. the current hospital would be adequate for a population twice as large) but also to conduct large scale ongoing investment programmes, mainly through the agency of the large Public Works Department (see Table 7.5). The difficulty which became apparent during the 1970s was that, once the island's physical infrastructure had reached a certain level, and once the first generation of (now failed) “development” projects had been launched, there was a scarcity of new investment needs relative to the capacity of the government to carry out projects. The result (the normal one in “Dutch disease” economies) was that the public service pre-empted a variety of activities which might have been undertaken by private operators most notably the construction of housing and factory space. The two private builders during the 1970s (Gary Cooper and Russell Kars) both found themselves unable to secure work against the competition from the public service, and both moved out into other areas of activity (coconut cream and a trading venture, respectively).

TABLE 7.5

GROWTH OF THE NIUE PUBLIC SERVICE

|      |                     | Numbers | Population         | Number of<br>inhabitants per post |
|------|---------------------|---------|--------------------|-----------------------------------|
| 1965 | Permanent staff     | 266     |                    |                                   |
|      | Expatriate Officers | 42      |                    |                                   |
|      | Temporary           | 5       |                    |                                   |
|      | Casual              | 321     |                    |                                   |
|      | Total               | 634     | 5,194 <sup>1</sup> | 8.2                               |
| 1970 | Permanent staff     | 328     |                    |                                   |
|      | Expatriate Officers | 50      |                    |                                   |
|      | Temporary           | 4       |                    |                                   |
|      | Casual              | 312     |                    |                                   |
|      | Total               | 694     | 4,990 <sup>2</sup> | 7.2                               |
| 1976 | Permanent           | 349     |                    |                                   |
|      | Expatriate          | 42      |                    |                                   |
|      | Temporary           | 4       |                    |                                   |
|      | Casual              | 368     |                    |                                   |
|      | Total               | 763     | 3,843 <sup>3</sup> | 5.0                               |
| 1984 | Permanent staff     | 369     |                    |                                   |
|      | Expatriate Officers | 17      |                    |                                   |
|      | Temporary           | 40      |                    |                                   |
|      | Casual              | 244     |                    |                                   |
|      | Total               | 670     | 3,000 <sup>3</sup> | 4.5                               |

Source: State Services Commission, Wellington

Notes: 1. 1966 Population

2. 1971 Population

3. Estimate

The 1974 Niue Constitution Act underpinned the position of the island's overblown public service, by making it the task of the public service not merely to provide services efficiently, but also to provide employment for Niueans in order to keep up the level of economic activity. The result is that Niue now has a rather unusual form of “surplus labour”, namely an under utilised pool of fairly skilled personnel drawing regular salaries and wages from government. This means that the government has at its command sufficient local resources to undertake a considerable range of new activities, if any such activities could be found that make sense. Table 7.5 shows that Niue has more than one public service job for every 5 people in the population. The difficulty is, quite simply, that the absorptive capacity of the Niuean economy for large scale investment is currently rather limited, if standard criteria for project evaluation are applied. It is certainly possible to dream up “things for the public service to do” - the enormous (and quite profitable) airport passionfruit farm is a good example, and a large scale programme to raise the standard of kitchen facilities in the

“hurricane houses” would be another possibility (except that the male dominated priorities of Niue would be antipathetic). The problem is that there are no projects in sight which could keep the public service fully occupied<sup>18</sup> in carrying out investments with a positive rate of return.

Another way of putting the same point is that it is nonsense to suggest that Niue “lacks savings capacity”. On the contrary, in terms of local resources there are excess savings, reflected in the existence of substantial underutilised labour and plant, and an apparent outward drain of financial savings\*. What Niue lacks are chances to put those savings to work in productive ways, which offer good enough return to justify the effort. The role of overseas “development aid” in Niue is not to make up for any deficit of savings or foreign exchange, but rather to pay for things that Niueans themselves do not find it worthwhile to pay for. All Niueans probably agree that it is socially desirable that uneconomic activities be kept alive (in other words, that Niue be kept alive as a functioning entity), but as individual economic agents they have more sense than to commit their own personal savings to this task.

#### 7.21 Danger of Inappropriate Policies

Nor would it solve the problem if the government were to embark upon a programme of increased taxation of private incomes, in order to finance ongoing uneconomic activities undertaken in the interests of social survival. For, in the first place, such taxation would imply a squeeze on disposable incomes which would induce more out migration (and hence undermine further the goal of social viability); and in the second place, tax revenues must come from a society's realised economic surplus and Niue is not realising much economic surplus. The “excess savings” referred to before relate to the unrealised potential surplus represented by excess capacity in the government sector, and excess financial savings represented by the steady apparent capital flight. Neither of these could exist in the absence of the inflow of “aid”.

We come, therefore, to the point which is implicit in most policy analyses of “aid” to Niue: self sufficiency at anything like the present living standards would require a great increase in Niue's realised economic surplus. There being no prospect of such an increase, there is no prospect of self reliance. It will not contribute to self reliance for aid donors or government to indulge in the promotion of production for export or import substitution, unless that production generates economic surplus. The Development Plan data is therefore mistaken to suggest that the trade deficit is the problem, rather than a symptom of the problem. The Plan states (p. 10):

“The existing trade deficit is considered the main reason that makes Niue's economy so totally dependent on foreign aid at present. Therefore, the trade deficit needs to be reduced if the degree of self reliance is to be increased ...”

This diagnosis is back to front.

#### 7.22 A Retrospective View of Constitutional and Political Change

It is perhaps worthwhile reviewing the political and constitutional change of 1974 today, 10 years later. In the view of one leading figure the Niuean people in 1974 did not want any change. As in 1965 when they stated they needed more time when further instalments of self

government were being proposed, there was considerable support for the status quo. At all stages their main concern has been to preserve the migration and aid link with New Zealand. It was believed that decisions were made on behalf of Niue before the issue was put. Integration or independence were never seriously raised (and almost no one favoured the latter); by the time they were seriously considered, the country was “already over half way down the track” toward self government. Professor Quentin Baxter's advice in 1973 was to “let the people get a taste of self government”. However, it is believed that all three options are still open:

1. To stay where Niue is at today;
2. Independence;
3. A closer link with New Zealand.

The people have no experience of integration and need to explore what it might involve. However, it is realised that there is real pressure on now from New Zealand (e.g. to use aid for purposes for which it was intended) which might affect the constitutional relationship.

Since the “loudest drum” at the time was “we don't want to change”, self government was seen as being bought by those who wanted it, and the United Nations and New Zealand were seen to be the main beneficiaries. To gain this, certain concessions had to be made. In return for self government, Niue wanted maximum protection of the civil service (there was also a desire to keep nepotism, which was seen to be a fact of life in the Cook Islands, out of Niue). These concessions were made by New Zealand in official guarantees of support. Thus Clause 7 of the Niue Constitution Act 1974 on Economic and Administrative assistance states: “It shall be a continuing responsibility of the Government of New Zealand to provide necessary economic and administrative assistance to Niue”. Thus the constitution solidified the public service and fixed its role in the Niue economy and society. While this aim is admirable in terms of safeguarding Niuean welfare it helped to inhibit the potential growth of the private sector<sup>19</sup> and it ignores the possibility of a dynamic and changing role of the public service in a mirab society increasingly tied, economically and socially to New Zealand. While the delivery of social services to the population, and the encouragement of what degree of autonomous development is realistically attainable are legitimate roles for the public service, its real nature is somewhat different. Moreover the main effect of the provision of aid in a mirab society (which is not fully autonomous) is to create a bureaucracy and the main local purposes of that bureaucracy (in contra distinction to New Zealand purposes) is to live off that aid as it ostensibly channels it into various development programmes.

One informant pointed out that while constitutional changes were taking place in the 1960s 70s a “new breed of people” was appearing. For the bulk of them the idea had emerged that Niue was now a wage economy and that there had been a total shift from subsistence to a market economy. (Yet in reality the shift was not total, but merely to a part time employee, part time gardener. The mirab society was evolving, which is perhaps a “permanently transitional” society rather than one based on the market economy; it is nurtured by aid, the growth of the bureaucracy and closely tied, economically and socially to New Zealand). This new class of people, employed in the public service, couldn't see why they shouldn't get cost of living increases, since in their analysis, Niue was fully a wage economy. In recent years the Public Service Association (PSA) has become very militant. They were part of the Northland branch of the PSA, but when they felt they did little for them, the Niue PSA became independent. Formerly they wanted to keep the employers and controlling authority (the State Services Commission) at arm's length overseas, but now they want them here “so they can put the heat on them”.

In spite of the militancy of the PSA and the new style of leadership within it that is emerging, there seems to be some recognition that Niue has achieved some significant social progress over recent years. Living standards are now much better, the island has been electrified, pensions are available and assembly men now get \$7000 a year instead of only \$1500 a few years ago. The political leaders of Niue are conscious of the hard times in New Zealand and the need “to tighten the belt” under the circumstances. Indeed, in spite of the complaints of the PSA the political elite is adroit in managing the mirab society and resisting excessive demands. In the island's first strike last year, the Government did not budge, and arbitration from New Zealand helped achieve a solution.

### 7.23 Issues for the Future

There is much in the record of Niue that stands to the credit of Niue's government and leaders and the quality of New Zealand assistance. Social conditions are good, and while the island has had its local problems some worthwhile, positive achievements have occurred since internal self government. A considerable measure of local consensus appears to exist for many policies. Sir Robert Rex and other political leaders have shown understanding of New Zealand's difficulties in the current recession and a good measure of restraint has been shown in some areas. Relations between political leaders in the two countries have always been cordial.

It is important for New Zealand to respect the local self government that Niue enjoys; New Zealand has not interfered in the running of the country and only in foreign affairs and defence does New Zealand retain a residual role under the constitution. However, the continued massive depopulation of Niue is worrying as well as the social malaise this process induces. There is some suggestion (though no firm evidence as yet) that out migration is slowing down somewhat and since it is rare for any country to be entirely depopulated, it is possible the population may stabilise in the future. In recent years however it has become painfully obvious that the public service, designed for a population of 5000 and a process of rapid development of social and infrastructural services, is grossly too large (Table 7.5). In 1984 moreover all the main public works on infrastructure are now in place, not requiring the manpower to administer the work. While it is important for New Zealand not to seek to impose its own standards, and the public service must above all meet Niue's needs, some fears are likely to emerge of a “Niuean Maniatoto”. There are in Niue, as well as in other small states of the Pacific, great problems and temptations involved in managing and administering large sums of aid moneys. Historically, the last 15 years have witnessed a great expansion in the flow of public moneys and it is clear that there are grave problems in the process affecting both countries (New Zealand has requested three aid reviews in the last 10 years). New Zealand must not play a paternalistic, neo colonial role, and there is much to be said for guaranteeing a certain acceptable flow of subsidy (a preferable term to “aid”) for say a 10 year period. But New Zealand would probably assume that the ways in which such moneys are spent conform to New Zealand's ethical standards and values. Since Niue's version of the Westminster system has not produced checks and balances and mechanisms within the political structure to hold the executive to account in ways visible to the electorate, a number of disturbing trends could perhaps become worse in the future, and an unfortunate neo colonial backlash from New Zealand politicians or the taxpayer in the future could not be ruled out. Since in the last resort, “he who pays the piper calls the tune”, the volume of

subsidies and the conditions affecting subsidies provided by New Zealand becomes the decisive factor.

New Zealand's policies then are likely to be determined by the order of priority of New Zealand's various goals in Niue. New Zealand has an obligation under the constitution and before the United Nations to ensure high standards of administration and financial management.

There is a real danger that New Zealand bodies will lose sight of this major obligation and seek merely "to get themselves off the hook" and to avoid public embarrassment. New Zealand also wishes to preserve the South Pacific as a stable, harmonious area in which countries like Niue remain friendly towards New Zealand. Basically, strategic denial is the essence of our defence position and Niue, as an "unsinkable aircraft carrier", must be on our side in any great power conflict. Though in 1984 that appears unlikely and the fear of aggression in the South Pacific quite remote, concern will exist that the present unity and stability of the countries of the region should not deteriorate. (It is of course argued by many that such unity and stability could be achieved in some non nuclear, post Anzus arrangement).

Because of New Zealand concern over the size and competence of the public service a number of innovations have recently occurred: a new Director of Economic Development has been appointed, in 1983 the Director of Agriculture was dismissed and a new Director was appointed, and a new team of officers was appointed to Treasury to straighten out financial management. If these measures achieve considerable success, maintenance of the status quo is feasible; if not, the logic for considerable further changes would be very persuasive, so that internal standards roughly conform to New Zealand's values. The Niue Government accepts the desirability of at least considering change: it agreed in May 1984 to a thorough review of the Niue public service. Of course, in reforming and trimming down the public service its prime role of supplying a large source of income to the resident population would be lessened, and this could lead to a sharp increase in out migration. How important then in New Zealand's priorities is it to retain population in Niue rather than to accommodate it on the mainland? The Niue Government has also appointed a select committee to enquire into possible constitutional change.

It may well be that something like a "Chatham Islands solution" may best serve Niuean interests in the future, acknowledging the great integration of the economy and society with the mainland that has occurred. Under such an arrangement the Assembly would retain much internal autonomy over local affairs, technical matters could come under the jurisdiction of the appropriate New Zealand Government Department, though the latter would need to become sensitised and experienced in Niuean conditions. At any rate the Niue Assembly would have to agree by a two thirds majority to any change in the constitution. It may be that a Select Committee comprising both Niuean and New Zealand members and chaired by a mutually respected Ombudsman type figure could provide a mechanism for the friendly sharing of problems and discussion of major issues. Moreover, these considerations suggest that even a revised constitution with a different "special relationship" with New Zealand might not quite meet all the requirements of both countries. The actual functioning of a constitution rarely happens according to the assumed precepts; there is the need for a carefully thought out "compact" (e.g. the Kirk/Henry letters for the Cook Islands) to cover the less clear cut spirit of the relationship.



## NOTES TO CHAPTER SEVEN

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- 1 The 20 member Assembly has one member from each of the 14 villages (Alofi being divided into Alofi North and Alofi South) and six members elected by a common roll.
- 2 The soil process is also beneficial in contrast to the usual sequence in the humid tropics, thus the weathering of the rock provides alkaline in the form of calcium carbonate in solution to the soil, helping to balance the acidity caused by leaching.
- 3 The present water supply for human consumption is adequate for all seasons. Almost every house (all reconstructed since 1961) has a 2000 litre watertank using the roof for catchment. Every village has piped water to village taps and finally there are emergency tanks with roof catchments. A number of old cisterns, constructed during the 1920s or 30s are also still in use.
- 4 There is of course great need for caution in tapping fresh water supplies. In a pump test of 100 hours at the Fonuakula well in which 1800 litres an hour were pumped, a maximum drawdown of two feet was reached after 6 hours of pumping. Recovery took 2 hours 20 minutes. See J.C. Schofield "A Quantitative Look at Niue Groundwater Supplies - a Preliminary Statement", 1977; also P. Money to W. Burns MAF, Dec 6, 1977, MAF 53/3/8.
- 5 Compiled from Annual Reports on Niue (AJHR), by David Booth.
- 6 For a discussion of the public service role, see pp.12-14 below.
- 7 Estimates of the number of Tongans now resident in Niue range between 200 and 400. These figures, however, are merely guesses provided by various respondents during unstructured interviews.
- 8 We say, "apparently" because the provisional census tables are incomplete and difficult to interpret. 573 persons are explicitly identified as working for government departments, and 211 appear as employed by "other" employers excluding the private wage- and salary-paying sector. 1979 estimates prepared by the Planning Office, and published in Niue National Development Plan 1980 1985, Table 1.6, p.6, show total government employment as 737 out of a total wage labour force of 854 and total economically active population of 974; these figures tally well with those given in the text above.
- 9 New Zealand Census of Population for the years cited. These figures provide some rough and ready confirmation of the 1981 provisional census total if we assume that the rate of natural increase in Niue remained more or less the same between 1971-76 and 1976-81. Thus an increase of 1,467 in the New Zealand community of Niue born persons 1971-76 corresponded to a fall in Niue's population of 1,145; and an increase in the New Zealand community of 712, 1976 81 corresponds to a reported fall in Niue's population of 565. In both cases the second figure is roughly 80% of the first.
- 10 Some of the following comments are based on the views of Mr Terry Chapman, Secretary to Government, in an interview. However, the team is responsible for the views expressed.
- 11 Informants stated that positive reasons for staying on Niue were: have a job here, we are "alright here", have a house here (house prices appeared to be about 60% of the N.Z. price), have a free life here, "don't have to lock your door here" etc. Disadvantages of New Zealand were: afraid of not getting a job, don't know your neighbour, cost of living and of a house are too high. Positive reasons for migrating were to join family members there, higher standard of living, exciting life. However, preferences for staying were paramount, since informants were attempting to justify why they hadn't emigrated.
- 12 New Zealand's expenditure on education and health expanded rapidly after the Second World War. A major housing programme began after the hurricanes of January 1959 and January 1960, and kept the level of government spending high through to the mid 1960s. During the subsequent decade a series of large investments in "development" followed the housing programme: the new airport (1969-71); a fruit processing factory for the Niue Development Board funded by F.A.O.; water reticulation; a 1,300 acre coconut and cattle scheme; electrification of the island. (Chapman, 1976, pp 84-90).
- 13 Niue Post Office, Annual Report 1981/82.
- 14 See Clause 69 of the Niue Constitution (p.41) on appointments to the Niue Public Service. Clause 69(3) states that factors to be taken into account include: "(b) the need to afford reasonable opportunities of employment in Niue for the people of Niue, and in so doing to have regard to the employment opportunities and levels of remuneration available in New Zealand. Furthermore paragraph (c) Clause 69 refers to "The need to act consistently with Government economic and social policy, bearing in mind that the terms and conditions of employment in the Niue Public Service are a major element in the general well being of Niue."
- 15 The expected government wage and salary bill for 1984/85 is \$4.1 million in government departments, plus about \$350,000 in government trading activities (sawmill, hotel, bond store, cattle farm, honey, handicraft, quarry, concrete products, electric power supply, airport, housing authority, port, fuel bulk store). (Government of Niue, Report, Instructions, Appropriation and Estimates of Expenditure and

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Revenue, 1 April 1984 - 31 March 1985, passim). This total of \$4.5 million cash incomes derived from government activity should be compared with the FOB value of total exports, currently around \$600,000 per year.

16 AJHR, 1948.

17 Chapman (1976), pp. 84-90.

18 The very high rate of absenteeism in the public service appears to reflect this situation.

19 e.g. Private builders who wished to build houses found themselves a few years ago unable to compete with the Housing Department whose quotes for jobs were unrealistic in that they could be raised later by supplementary grants. While the situation is now improved it would seem that a proper role of the Housing Department would be to order and import materials, while private enterprise actually does the building.

## CHAPTER EIGHT

### TOKELAU

The three atolls of Tokelau were the last Pacific territory to come under New Zealand control, and they retain their formal status as a dependent territory of New Zealand. In pre European times the Tokelauan community controlled four islands: the present three - Nukunonu, Atafu and Fakaofu - plus Swain's Island, or Olohega, to the southeast. A British protectorate was established in 1877, and the islands were formally annexed in 1916, becoming part of the Gilbert and Ellice Islands colony. However, the islands were too small, isolated and unproductive to be of much interest to Britain, and little effort was made to assert British control over the most commercially successful island, Olohega, where the American Jennings family had claimed ownership since the 1850s. In 1925 Britain divested itself of the burden of administering the group, passing the three northern islands over to New Zealand, and acquiescing in United States annexation of Olohega to American Samoa. The number of Tokelaus living and employed on Olohega has varied since then between a peak of perhaps 50, and the present low of less than half a dozen<sup>1</sup>, and the community's historical claim to Olohega has persisted as a folk memory, although a treaty signed under New Zealand pressure by the Tokelauan elders in 1980 formally renounced the Tokelauan claim in favour of the USA.

#### 8.1 Limited Room for Manoeuvre

In theory, policy design in the three Tokelauan atolls administered by New Zealand has been rendered easier than in Niue or the Cook Islands by the very limited room for manoeuvre either economically or socially. This has not prevented several generations of New Zealand officials from pushing ahead with a succession of grandiose programmes; but the stalling and eventual modification or abandonment of those programmes has occurred more rapidly and unequivocally in Tokelau than in the other New Zealand territories. Tokelau has thereby been spared, to date, the degree of social disintegration and bureaucratic parasitism that has occurred in Niue, although the forces at work in the two territories are comparable.

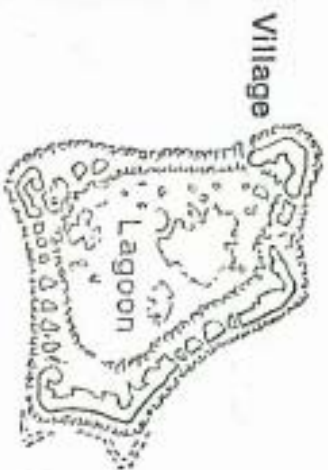
So far as the room for economic manoeuvre goes, a British Foreign Office minute of 1925 sums up the reasoning behind the handover to New Zealand<sup>2</sup>:

“A small and worthless group. Perhaps we should give them to New Zealand.”

Virtually all observers since have agreed that “development”, in a sense of a large scale expansion of commodity production, makes no sense as a central policy goal. As the latest New Zealand Official Yearbook puts it<sup>3</sup>:

“Tokelau's size, isolation, and lack of land based resources allow little scope for economic development.”

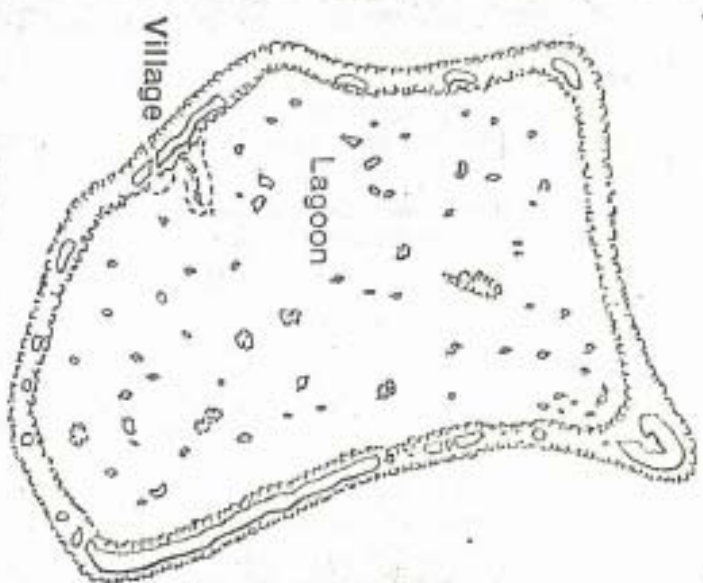
The natural resource endowment of the three atolls consists of 12.2km<sup>2</sup> of land area (all coral) plus lagoons and sea. This endowment is sufficient to permit a secure subsistence life for up to 2,000 people organised in a tightly integrated neo-traditional social order based upon the



# ATAFU



# FAKAOFO



# NUKUNONU

descent group and the village<sup>4</sup>. Subsistence existence under atoll conditions requires the maintenance of a margin of productive capacity as insurance against natural disasters; in the Tokelau case this is manifest in the fact that the harvest of coconuts available in a normal year exceeds the subsistence requirements of the population and a small exportable surplus of copra can thus be produced in most years as an income supplement for households. There is, however, no tradition of plantation organisation or wage labour in Tokelau except for Olosega. Specialisation and division of labour are alien to Tokelau society; each individual in the village system is expected to perform a variety of roles, among which copra cutting is merely one, and commonly a fairly minor one.

The size of the exportable copra surplus has changed very little over the years. In 1926 it was estimated at about 365 tons in typical years, with a peak of 437 tons in 1924-25.<sup>5</sup> Around 1950 the exportable surplus was estimated as 400-440 tons, although lack of shipping restricted actual exports to less than 300 tons<sup>6</sup>. Exports during the 1950s and 1960s were generally around 200-300 tons, falling during the 1970s to 100 tons or less; but a recent revival has taken exports up again to 200 tons or more, and it is probable that a substantial margin of unutilised productive capacity exists on outer islets, so that the potential exportable surplus probably remains much the same as it was in the 1920s.

In the absence of major investments in raising the productivity of the atolls' stands of coconut trees (see Appendix 1. below), the potential exportable surplus of copra in any year depends on rainfall in the previous year and the level of subsistence demand; actual exports then depend on the amount of labour time devoted to collecting and cutting the nuts. The desire of New Zealand administrators to maximise potential copra production led early on to a declared interest in installing concrete water tanks to make possible a substitution of potable fresh water for drinking nuts<sup>7</sup>.

The first major set of local infrastructural investments undertaken by the New Zealand administration in the group, at the beginning of the 1950s, focussed on copra related requirements: water cisterns, copra drying and storage sheds, concrete jetties and reef passages. Up to that time, in fact, benign neglect had been the hallmark of New Zealand administration, with the Tokelau group run as a minor offshoot of Western Samoa<sup>8</sup>. The extension during the 1950s of government provided services in education and public health made the islands for the first time a net charge on the New Zealand taxpayer (up till 1951, public expenditures were funded entirely out of copra tax and other minor local taxes and duties) and began an expansion of the public service which gathered pace in the 1960s and threatened to swamp the neo traditional social order in the 1970s.

The emergence of the public service brought to the fore the limited room for manoeuvre on the social front in a society organised on a non cash reciprocity basis. The neo traditional society was able to accommodate without difficulty the addition of a few professional specialists performing technical functions outside the normal range of subsistence related activities in village society. Doctors, teachers and radio operators could thus be fitted in without difficulty, accorded status appropriate to their skills, and excused duties such as participation in communal labour. In Tokelau as in the other territories, however, New Zealand in the 1960s and 1970s embarked upon an attempt to transplant into the Tokelau environment a series of institutions and specialised roles modelled directly upon the New Zealand governmental structure. There appears to have been a genuine insensitivity among New Zealand officials to the impact on atoll society of the institution of full time wage labour (as distinct from a few

salaried professionals), and the institutional design of the Tokelau Public Service continues to run counter to both common sense and the clearly expressed feelings of a fair number of Tokelauans - an issue which is taken up at greater length below.

Meantime, New Zealand had also been coming slowly to terms with the limited room for political manoeuvre in a society with a strong tradition of local government by elders and family heads, prepared strongly to defend and preserve the all important links with New Zealand. Tokelau over the past twenty five years has successfully resisted New Zealand or United Nations initiatives aimed to incorporate the atolls with Western Samoa or the Cook Islands (1963-64), evacuate them (1966-71), and finally, “decolonise” them (1974- ). This is no mean achievement, even granting New Zealand's consistent unwillingness to push through political changes to which Tokelauan acquiescence could not be secured. Tokelauans show every sign of possessing a clear perception of their collective interests, and have been successful in developing political strategies to protect those interests. They have been less successful in coping with the internal, divisive impact of the spreading cash economy and New Zealand sponsored bureaucracy.

## 8.2 Population

Table 8.1 and Figure 8.1 show the long run movement of population on the three atolls<sup>9</sup>, and the recent increase in the number of Tokelauan born residents of New Zealand. The demographic disasters of the mid nineteenth century (slave trade, disease) which reduced population to less than 400 persons by 1871, were followed by two surges of population growth - one in the last couple of decades of the nineteenth century, and then another beginning about 1920 and continuing until the mid 1960s. At times during the 1940s and 1950s population growth rates reached 3% p.a. for the group as a whole, and even higher rates were recorded on individual islands (notably Nukunonu). Total population peaked at 1,900 in 1966, in which year a mass resettlement scheme, sponsored by the New Zealand Government, began to move entire families to New Zealand. During the period of the scheme's operation, 1966-1971, the Tokelau born population in New Zealand rose from 248 to 950; this appears to have been accounted for by nearly 400 assisted migrants under the official scheme, and about 300 other Tokelauans moving under their own steam (mostly from Western Samoa, where a substantial Tokelauan community had become established during the 1940s and 1950s, but moved to New Zealand following Samoan independence in 1962)<sup>10</sup>.

## 8.3 The Role of the Tokelau Community in New Zealand

At the 1981 Census, the Tokelau community in New Zealand (including Tokelauans born in New Zealand) numbered 2277 people, compared to 1572 in the islands. Although it has been the policy of the Ministry of Foreign Affairs to recognise only one of these two entities that in the islands in accordance with its activities in external affairs, the continuing intimate relationship between the two needs to be recognised. The following statement on the relationship between Tokelauans in Tokelau and Tokelauans in New Zealand as expressed by a Tokelauan representative in New Zealand to the visiting United Nations Mission, is worth citing:

“The strength of family bond that exist amongst Tokelau wherever they live, may be beyond the understanding of a

FIGURE 8.1

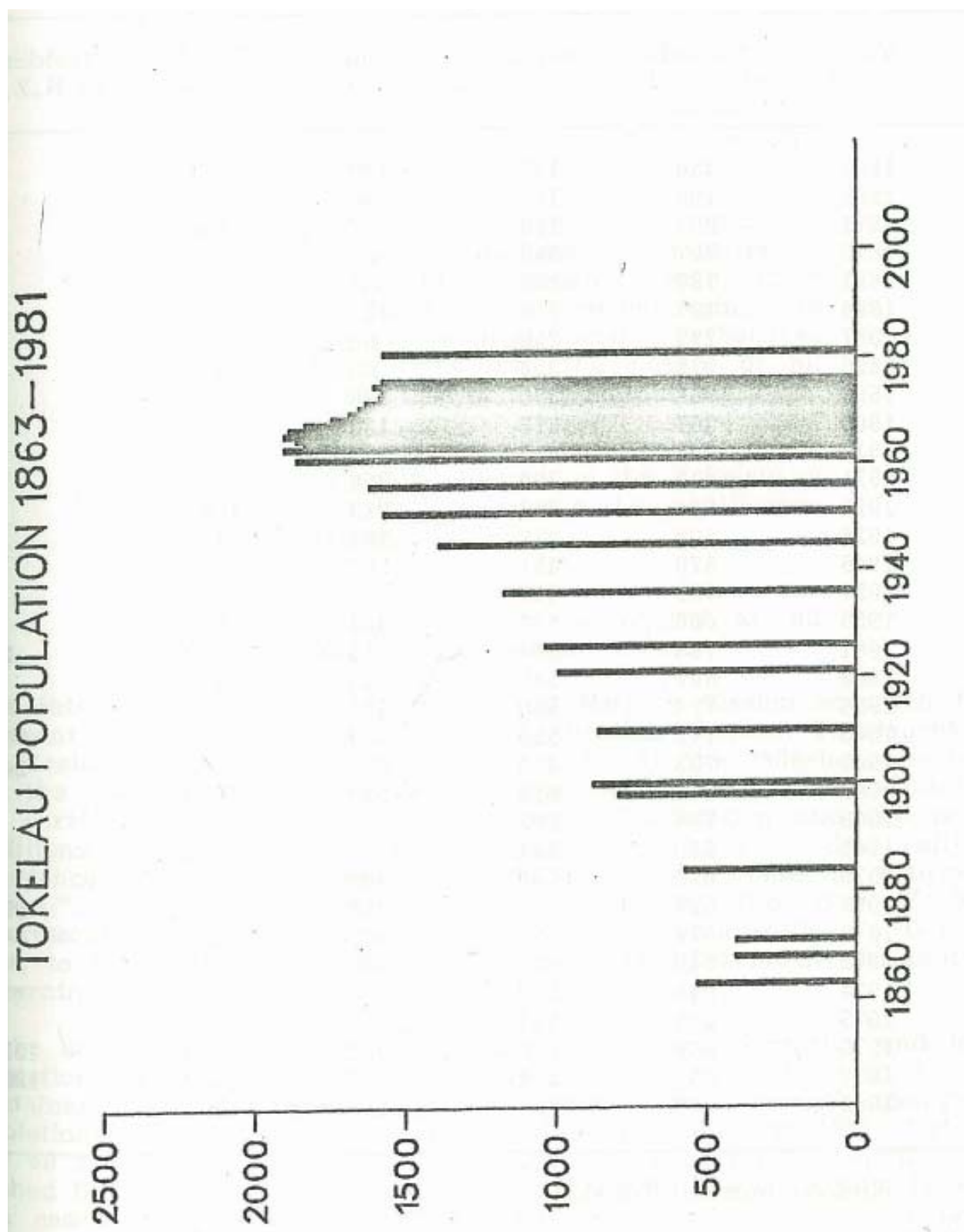


TABLE 8.1

Tokelau Population

| Year | Fakaofu | Atafu | Nukunonu | Total | Resident in<br>N.Z.* |
|------|---------|-------|----------|-------|----------------------|
| 1863 | 250     | 140   | 140      | 530   |                      |
| 1868 | 190     | 170   | 40       | 400   |                      |
| 1871 | 200     | 150   | 48       | 398   |                      |
| 1876 | 207     | 180   | na       | na    |                      |
| 1881 | 180     | 216   | na       | na    |                      |
| 1884 | 191     | 256   | 123      | 570   |                      |
| 1887 | 227     | 250   | na       | na    |                      |
| 1896 | 278     | 350   | na       | na    |                      |
| 1898 | 302     | 350   | 138      | 790   |                      |
| 1900 | 367     | 375   | 133      | 875   | 0                    |
| 1910 | 345     | 369   | 144      | 858   | 0                    |
| 1921 | 419     | 364   | 206      | 989   | 0                    |
| 1926 | 444     | 360   | 229      | 1033  | 0                    |
| 1936 | 508     | 378   | 284      | 1170  | 0                    |
| 1945 | 570     | 451   | 367      | 1388  | 0                    |
| 1951 | 662     | 458   | 451      | 1571  | 0                    |
| 1956 | 666     | 489   | 464      | 1619  | 7                    |
| 1961 | 783     | 564   | 513      | 1860  | 23                   |
| 1963 | 807     | 539   | 553      | 1899  |                      |
| 1964 | 724     | 560   | 551      | 1835  |                      |
| 1965 | 742     | 556   | 563      | 1861  |                      |
| 1966 | 733     | 616   | 551      | 1900  | 248                  |
| 1967 | 740     | 615   | 528      | 1883  |                      |
| 1968 | 730     | 595   | 507      | 1832  |                      |
| 1969 | 699     | 594   | 452      | 1745  |                      |
| 1970 | 679     | 600   | 408      | 1687  |                      |
| 1971 | 625     | 632   | 398      | 1655  | 950                  |
| 1972 | 678     | 593   | 362      | 1633  |                      |
| 1973 | 649     | 572   | 366      | 1587  |                      |
| 1974 | 648     | 549   | 377      | 1574  |                      |
| 1975 | 665     | 564   | 374      | 1603  |                      |
| 1976 | 666     | 546   | 363      | 1575  | 1212                 |
| 1981 | 650     | 554   | 368      | 1572  | 1281                 |
| 1983 | 633     | 584   | 368      | 1585  |                      |

\*Persons born in Tokelau.



palagi, namely because the word family to him is himself, his wife and their children. But to the Tokelau, it means an extended family, or whoever possesses the family blood, and even the in laws” families are considered as within this family framework.” “When we were brought up in Tokelau, we fished together, played together, shared together, suffered together, and even (experienced) joy together.

We Tokelau in New Zealand still share family properties (especially lands) in Tokelau, remit moneys to our families of approximately \$50,000 per year and even contribute to the capital investment for the formation of Cooperative Stores on each island when they were first established.

The uniqueness then, of this “aloha” family bond symbolises our efforts to ensure the survival of this social characteristic in the future of Tokelau.

We are concerned at the possibility that the Office of Tokelau Affairs and the Minister of Foreign Affairs, in accordance with their bureaucratic beliefs, are endeavouring to discourage the fundamental social togetherness which has been built into the hearts of all Tokelau since the time of their childhood.

We suggest that a part of that Tokelau canoe ... is to be allocated to include the Tokelauans in New Zealand and to illustrate the significance of this relationship.

This binding we do not want to destroy and our cooperation must also be encouraged at all costs”. (Te Vakai, 14, 3 August 1981).

It is interesting to note that the United Nations Mission accepted this argument on the continuing strength of the link between Tokelauans in New Zealand and the islands. They stated that the “Mission considers that the Tokelau communities abroad should have a say in the affairs of the Territory of their origin. The level of education and the social conditions that those communities enjoy, as well as their dual cultural experience, offer them a unique opportunity to help shape the future of Tokelau”. Accordingly, the Mission called on the New Zealand Government, the administering power, in consultation with the General Fono, to take into consideration the views of the Tokelauan community<sup>11</sup> concerning the Territory.

In the early 1970s the rate of out migration slowed abruptly, and total population stabilised at about 1,580 in 1973-74, a level which it has maintained with only minor fluctuation ever since. The Tokelau born population of New Zealand rose by 262 between 1971 and 1976, but by only 69 between 1976 and 1981. The population/migration “equilibrium” reached by Tokelau is strikingly similar to that of the Cook Islands. In both cases, out migration to New Zealand during the 1960s and 1970s proceeded to the point where the Island born group living in New Zealand reached about 80% of the remaining population in the home territory, and where the home resident population total had dropped about 16-17% from its peak level. (Tokelau's population fell 16.5% 1966-73, and then stabilised, at which stage the Tokelauan born group in New Zealand totalled about 1200 - or 76% of the home resident group. The Cook Islands

population fell 16% from the 1971 peak to 1981, at which stage the Cook Islands born group in New Zealand was 80% of the home resident group). In both cases, total resident population then stabilised, with out-migration proceeding only at a rate sufficient to offset natural increase; the present slow increase in the New Zealand resident communities of people born in these Islands does not at present imply any depopulation in the sense of falling total population in the Islands.

This is in strong contrast to Niue. The Niue born group in New Zealand reached 162% of the resident population of Niue by 1981, and out-migration continues to drain the Niue resident population at an undiminished rate. Niue's population fell over 40% between 1966 and 1982 and shows no sign as yet of bottoming out (see Figure and discussion in Chapter 7).

#### 8.4 Economic and Social Trends

Until 1950 Tokelau was a stagnant, largely self-sufficient export economy. Being of smaller size and more isolated than the other New Zealand territories, it was the first one in which private sector commercial operators threw in the towel. Until the 1930s the purchase of copra, and supply of store goods for the local population, had been conducted by a trading firm operating with schooners out of Apia. Shortly before the outbreak of War, this service was ended, and the Department of Samoan Affairs in Apia was obliged to step in with a launch service to keep the islands supplied. After the end of the War the Administration moved on to the use of chartered schooners and occasional RNZAF air services.<sup>12</sup> Thereafter a constant preoccupation of the Administration was the problem of maintaining shipping services to the islands. Repeated attempts to persuade private trading ventures to take over copra buying and the operation of stores in the islands were unsuccessful, and after some years of running the trading operation, the Administration passed it over to WSTEC, the holding company for the confiscated German estates in Western Samoa. After 1957 trading operations moved from (marginal) profit to steadily growing losses, and as WSTEC was unwilling to carry those losses, the management of trade gravitated back to the Administrator. During the 1960s Burns Philp agreed to act as the Administration agent in managing the trading venture, but since there were no significant profits to be made, their interest was low and the relationship broke down. Finally, in 1977 the Administration devolved trading operations to the newly established cooperative village stores, with the Administration to remain responsible for chartering (and paying for) the necessary shipping. After several marginal years the stores have recently begun to record profits on their trading.

For the past forty years, then, there have been only two groups of economic agents in Tokelau: Tokelauan village society, and the New Zealand-run Administration and its agents. The private merchants, self-employed professionals, and occasional entrepreneurs found in Niue and the Cook Islands have been entirely absent in Tokelau, and links with the outside world have been entirely mediated by the Administration.

The same factors that deterred private capitalist firms from remaining in the Tokelau trade, placed clearly perceived limits on the Administration's plans for "development" of the atolls<sup>13</sup>:

"In a community such as the Tokelau Islands any development programme must be limited by the availability of suitable resources, and on present indications there seems little prospect of introducing any products other than copra and handicrafts of the curio type. New

Zealand is, however, concerned to see that within these natural limitations the Tokelau Islands are developed as far as possible. Medical and educational facilities adequate to the requirements of the people are to be maintained, and every encouragement will be given to the production of copra and handicrafts ...”

This 1950 statement was written during a mini boom period associated with the Korean War, when copra prices were exceptionally high and the New Zealand economy was buoyant. Earning from copra in the 1950/51 March year were over \$16,000 at current prices, equivalent to \$157,000 in 1982 New Zealand dollars - a level more than double the normal export earning of the 1980s, and substantially above anything seen again during the 1950s or 1960s<sup>14</sup>. At the same time the Administration embarked on a major programme of public works on the islands, including new copra sheds, schools, and hospitals. The boom quickly faded, however, and the following decade and a half were a period of stagnation and decline for the cash economy in Tokelau, while population growth put gradually- increasing pressure on the subsistence sector and on living space on the village islets. Tables 8.2 and 8.3 show that until the early 1960s, the purchasing power of the local population (reflected in imports of store goods) remained below the value of total exports (which in turn suggests that the tax on copra overshadowed the salaries paid out to public employees resident in the islands). The decline of the cash economy was reflected in a steady erosion of the Administration's revenue base (which had fallen so far by the mid 1960s that annual reports ceased to carry information on revenues from 1961 to 1967); and although the government accounts show a steady increase in expenditure, and consequent rise in the deficit, this appears to have been absorbed in paying for goods and equipment imported to the islands by Government, and in paying the costs of the Apia office, so that the government sector did not function during that time as a source of rising cash incomes in the islands (in contrast to, for example, events of that period in Niue and the Cook Islands).

Two new elements of the 1960s abruptly broke the pattern. The first was a growing awareness of population pressure on the village islets and a fear in Administration circles that over population was a looming problem. (This fear was compounded by the fact that throughout the 1950s and early 1960s official “estimates” of population based on inadequate vital statistics consistently tended to overstate actual population growth<sup>15</sup>). The response was to propose to the village councils a programme of resettlement of population to New Zealand; this was agreed to, and implementation begun, in 1965-66. At the same time, a second set of changes were induced by the new interest in New Zealand's Pacific territories following from United Nations pressure for decolonisation, and the political changes in Western Samoa and the Cook Islands. In the late 1960s government spending in Tokelau began to increase steeply (see Figure 5.10), and the role and size of the public service began to increase. At the same time, the government sector became a newly-important source of cash injections into the local economy (where previously it had injected material and a few specialised personnel). The rising trend of government expenditure is clearly evident in Table 8.3, and its qualitatively new character hinged on the introduction of wage labour for the work gangs involved in the new building programme initiated in 1966.<sup>16</sup>

As public service employment on the islands increased, and the cash incomes thus generated were supplemented by the beginning of remittances from the migrant Tokelauans in New Zealand, Tokelau's import consumption passed through the same transition already experienced in Niue and the Cook Islands. (See Table 8.2 and Figure 5.5). The increase in

imports of store goods began in 1963, and by 1970 the real value of imports had reached a level six times that of 1962. Whereas in 1962 storegoods imports had still been roughly equal in value to exports of copra and handcrafts, by 1970 80% of store goods imports were financed by non export derived income.

TABLE 8.2

Tokelau Imports and Exports  
1982 NZ\$000, annual averages

| March years | Exports | Imports (store goods only)* | Balance |
|-------------|---------|-----------------------------|---------|
| 1951-55     | 110.2   | 91.8                        | 18.4    |
| 1956-60     | 74.5    | 41.3                        | 33.2    |
| 1961-65     | 44.5    | 81.5                        | -37     |
| 1966-70     | 67.9    | 237.2                       | -169.3  |
| 1971-75     | 85.1    | 362.8                       | -277.7  |
| 1976-80     | 104.1   | 410.2                       | -306.1  |
| 1981-84     | 63.2    | 490.1                       | -426.9  |
| 1981        | 42.8    | 469.9                       | -427.1  |
| 1982        | 89.1    | 652.1                       | -563.0  |
| 1983        | 48.1    | 438.3                       | -390.2  |
| 1984        | 72.9    | 400.3                       | -327.4  |

\* does not include pre-purchased Government imports, nor (we believe) pre-purchased private imports.

Following an hiatus in import growth through most of the 1970s, a new surge in 1980 took stores goods imports up to their present level in the vicinity of \$500,000 p.a. (about \$316 per capital, which is still very low compared with Niue or the Cook Islands, but is comparable with levels in Kiribati and Tuvalu).

A 1971 estimate of cash incomes received by residents of Tokelau<sup>17</sup> found Tokelau Public Service wages and salaries to be the dominant source: \$39,000 of the total of \$54,000. Copra sales yielded income estimated at \$6,500<sup>18</sup>, cash remittances were given as \$7,500, and money brought by visitors and returning residents \$1,000. Imports of store goods at that time were around \$70,000 \$75,000, according to the data in the annual reports. This suggests either some under reporting in Hooper and Huntsman's figures, or some Government purchases of goods from the stores. Both of these seem likely, but particularly the latter since it appears that schools, hospitals and administration offices all purchase basic requirements such as stationery, batteries, soap and so on through the stores. Certainly the overall picture is a consistent one of an emerging MIRAB economy, with remittances and government payments providing the finance for 80-90% of import purchases.

TABLE 8.3

Tokelau: Government Finance  
1982 NZ\$000, annual averages

| March years | Local revenues     | Total expenditures | Balance  | New Zealand grant |
|-------------|--------------------|--------------------|----------|-------------------|
| 1951-55     | 66.5               | 138.4              | -71.9    |                   |
| 1956-60     | 29.7               | 270.8              | -241.1   |                   |
| 1961-65     | 27.0 <sup>a</sup>  | 361.3              | -334.3   |                   |
| 1966-70     | 128.4 <sup>b</sup> | 658.3              | -529.9   |                   |
| 1971-75     | 163.2              | 1,272.9            | -1,109.7 |                   |
| 1976-80     | 286.2 <sup>c</sup> | 2,299.6            | -2,013.4 |                   |
| 1981-84     | 445.0              | 2,659.4            | -2,214.4 | 2,104             |
| 1981        | 318.3              | 2,469.8            | -2,151.5 | 2,079             |
| 1982        | 686.3              | 3,080.0            | -2,393.7 | 2,043             |
| 1983        | 401.4              | 2,546.0            | -2,144.6 | 2,041             |
| 1984        | 374.0              | 2,541.9            | -2,167.9 | 2,251             |

a. 1961 only

b. 1968-70

c. Excluding 1977 and 1978.

Recent data on cash incomes, in common with most other statistical information on Tokelau, is difficult to obtain, and virtually none of it is published in accessible form. Back-of-the-envelope estimates suggest that total cash incomes in Tokelau for the 1983/84 year may have run as high as NZ\$820,000, although total store goods imports for the year were only \$432,000 (this is valuing stores goods at selling price). Possibly \$40,000 of the difference would have been absorbed by import duties, but this still leaves a large unexplained cash balance to be accounted for, of the order of \$350,000. Of this, some probably went into public servants' bank accounts in Apia rather than into circulation in the islands; some would also have been spent on boat and air fares; and some would have been spent on imported goods purchased directly from Pago Pago or Apia, rather than through the village stores.

The items which we have identified in local cash incomes are set out in Table 8.4. Payments for copra and remittances from New Zealand are taken direct from Tokelau Office files and are reasonably reliable, accounting for roughly \$200,000 of annual cash income. The dominant item, however, "government payments", is based on a rather casual analysis of the 1984/85 Budget, on the basis of which it was concluded that roughly 21% of total government expenditure was destined for wages and salaries paid in the islands; 0.8% for various other public sector expenditures in the islands; and 0.3% for handicraft purchases from local producers. In constructing Table 8.4 these percentages have been applied to the 1982, 1983 and 1984 expenditure totals; the result is the very large figure for government cash injections into the local economy, which dominates our total cash income estimate.

TABLE 8.4  
Cash Incomes on Tokelau: Some Data

|                                               |                  |                  |             |                  |
|-----------------------------------------------|------------------|------------------|-------------|------------------|
| 1. <u>The Hooper/Huntsman 1971 estimates:</u> |                  |                  |             |                  |
| Public Service Salaries and                   |                  |                  |             |                  |
| Wages                                         |                  |                  |             | \$39,000         |
| Copra sales                                   |                  |                  |             | 6,500            |
| Cash remittances plus visitors                |                  |                  |             | 8,500            |
| TOTAL                                         |                  |                  |             | <u>\$54,000</u>  |
| 2. <u>Hooper estimates for Fakaofu</u>        |                  |                  |             |                  |
|                                               | <u>1979</u>      | <u>1980</u>      | <u>1981</u> |                  |
| Public Service Salaries and                   |                  |                  |             |                  |
| Wages                                         | WS\$94,000       | \$100,000        |             | \$127,470        |
| Copra sales                                   | 19,563           | 9,017            |             | 22,210           |
| Cash remittances plus visitors                | 8,000            | 6,000            |             | 6,390            |
| TOTAL                                         | <u>\$121,563</u> | <u>\$115,017</u> |             | <u>\$157,070</u> |
| 3. <u>Our estimates for Tokelau</u>           |                  |                  |             |                  |
|                                               |                  | March years      |             |                  |
|                                               | <u>1982</u>      | <u>1983</u>      | <u>1984</u> |                  |
| Public Service Salaries and                   |                  |                  |             |                  |
| Wages                                         | WS\$577,000      | WS\$550,000      |             | WS\$607,000      |
| Other government outlays                      | 22,000           | 21,000           |             | 23,000           |
| Handcraft purchases by                        |                  |                  |             |                  |
| government                                    | 7,000            | 7,000            |             | 8,000            |
| Copra producers' income                       | 46,907           | 36,647           |             | 49,470           |
| Copra related incomes                         | 3,045            | 2,481            |             | 10,086           |
| Remittances from New Zealand                  | 136,000          | 157,000          |             | na               |
| TOTALS                                        | WS\$792,000      | WS\$774,000      |             | +WS\$850,000     |

Sources:

1. From Hooper and Huntsman (1973), p.368.
2. From Hooper (1982), p.75.
3. TPS salaries and wages estimated as 21% of total budget expenditure. Other government outlays estimated as 0.8% of total spending. Handcraft purchases guessed, from WS\$8,500 budgeted 1984/85. Copra producers' incomes from copra card ledgers in Tokelau Office, Apia. Copra related incomes are payments to aumaga for labour in loading ships, and to village stores for commissions etc. Remittances are the total payments from "remittance accounts" held in Tokelau Office, Apia, as shown in the annual accounts, plus \$25,000. Note that the accounts show payments to Fakaofu of WS\$46,450 for 1981/82, which is far greater than Hooper's \$6,390 for 1981; more research is needed here. The \$25,000 is a Tokelau Office estimate of remittances reaching Tokelau in cash, and is based on the annual "overflow" of currency (mainly N.Z. dollars) brought out by the Tokelau Office for banking in Apia.

TABLE 8.5

Tokelau Copra Production

| March years     | Export Value        |                     | Growers' receipts  |        |               | Average<br>unit value<br>1982\$/tonne |
|-----------------|---------------------|---------------------|--------------------|--------|---------------|---------------------------------------|
|                 | Exports<br>(tonnes) | Current NZ\$        | 1982<br>NZ\$       | NZ\$   | % of<br>value |                                       |
| 1951-55 average | 238                 | 14,438              | 110,200            |        |               | 463                                   |
| 1956-60 average | 188                 | 10,992              | 74,500             |        |               | 396                                   |
| 1961-65 average | 195                 | 9,903               | 44,500             |        |               | 228                                   |
| 1966-70 average | 187                 | 13,357              | 67,900             |        |               | 363                                   |
| 1971-75 average | 152                 | 26,013              | 85,100             |        |               | 560                                   |
| 1972            | 156                 | 12,961              | 50,236             | 6,500  | 50            | 322                                   |
| 1976            | 110                 | 22,658              | 58,247             |        |               | 530                                   |
| 1977            | 86                  | 24,298              | 53,876             |        |               | 626                                   |
| 1978            | 46                  | 17,000              | 32,882             |        |               | 715                                   |
| 1979            | na                  | 13,028 <sup>a</sup> | 23516 <sup>a</sup> |        |               | na                                    |
| 1980            | 308                 | 176,812             | 266685             |        |               | 866                                   |
| 1981            | 89                  | 33,055              | 42,817             |        |               | 481                                   |
| 1982            | 234                 | 79,479              | 89,102             | 46,907 | 59            | 381                                   |
| 1983            | 143                 | 49,393              | 48,001             | 36,647 | 74            | 336                                   |
| 1984            | 184                 | 88,412              | 81,863             | 49,470 | 56            | 445                                   |

Sources: Annual Reports (AJHR). Thereafter data extracted from MFA files and copra ledgers in Tokelau Office, Apia.

a. Calendar 1978.

There is clearly scope for further work to be done on the subject of cash incomes in Tokelau. The data certainly exists in Wellington and Apia for a more thorough reconstruction of public service salaries and remittance flows through the Tokelau Office; only pressure of time has prevented us from assembling and analysing this data in more depth.

## 8.5 Quality and Usefulness of Tokelau Statistics

While on the subject of statistical record, it may be worth making the point that both the quantity and quality of statistical information on Tokelau have deteriorated sharply since the Ministry of Foreign Affairs assumed control over the islands. The Annual Reports of the Administrator vividly illustrate the changing priorities of those responsible for running the islands. In Island Territories days before 1975 there were annual population censuses (monitoring progress of the resettlement programme); reasonably disaggregated figures on import and export trade; and published accounts for the trading operations conducted by the Administration. After taking over in 1974-75, Foreign Affairs officials almost immediately

reverted from annual to five yearly censuses, and within a year or so ceased to compile import and export data. Trading accounts were last published for the March 1976 year and disaggregated import statistics have not appeared since the 1974 report (the last prepared by the Department of Island Affairs).

In general, both the published annual reports and the contents of Foreign Affairs files reveal a lack of interest by Foreign Affairs officials in the Tokelauan economy. Foreign Affairs priorities from the outset were political and constitutional; the burgeoning Tokelau Public Service never seems to have been charged with the task of investigating, or reporting on, economic and social phenomena. Population census collection in 1976 and 1981 was undertaken not because Foreign Affairs wanted the information, but because Tokelau is still part of New Zealand and is therefore included as a matter of course in the Department of Statistics' nationwide censuses. Aggregate estimates of the value of total imports and exports were demanded each year by the Statistics Department for inclusion in the New Zealand Official Yearbook, and were provided, but usually at the last minute and with a minimum of supporting detail, by the Official Secretary in Apia. On one memorable occasion the Department of Statistics suggested that a table showing the major categories of imports (as in years before 1975) would be a good idea; the Official Secretary responded with obvious irritation<sup>19</sup>:

“It would take one officer some weeks of processing stores orders and invoices. Is it really worth it?”

The Department of Statistics did not press its request in the face of Foreign Affairs' unwillingness.<sup>20</sup> Only in the last year or two, possibly as a result of greater interest by the new Official Secretary, have detailed figures again been collected, although not yet published.<sup>21</sup>

Also frustrating for the investigator is the way in which administration budgets and accounts are prepared and presented by the Apia Office. One of the most obvious questions arising from Hooper's 1982 paper on aid and dependence in Tokelau is the amount of money actually paid out by the administration, year by year, within the Tokelau Islands (as distinct from payments made in Apia or New Zealand). From the point of view of aid analysis this issue is the key to understanding the impact of the aid vote on cash incomes in the islands. However, the budget documents prepared each year for the General Fono by the Tokelau Office in Apia are designed (as are most such documents in aid receiving small countries) for the convenience of the donor and administrator rather than for the information of the Tokelauan community and its representatives. There is no attempt to indicate the expected impact of the Budget on local incomes and expenditures within the territory for which the Fono supposedly has legislative responsibility, for which reason it is quite inappropriate to refer to the annual budget exercise as if it were the equivalent of a New Zealand Budget. In preparing the New Zealand Budget, Government has in mind various targets at which its fiscal and monetary policy is to be directed, and it is in a position to manipulate both revenue and expenditure items in pursuit of those targets. Parliamentary discussion of the Budget hinges as much upon estimates of its macroeconomic impact as upon the detail of expenditure being appropriated under various heads.

The Tokelauan Fono, in debating the annual budget, has no aggregate fiscal or monetary instruments at its command, since the budget total is unilaterally determined by the New Zealand Government in the form of a cash limit, and the local money supply is not issued by



the Tokelau authorities. (Tokelau does, however, have substantially more flexibility in monetary and exchange rate matters than do Niue or the Cook Islands, since its major trading partners are Western Samoa and American Samoa, rather than New Zealand, and both Western Samoan and US currency circulate in the islands alongside New Zealand currency and Tokelauan souvenir coins. There is, therefore, scope for informal market adjustment of the real exchange rate by arbitrage among the various currencies. Official payments and receipts are at present in Western Samoan tala.)

Despite the lack of aggregate instruments, it is however the case that changes in the configuration of the budget can have significant effects on the proportion of the total expenditure which reaches the islands in cash. Although the Fono does not yet seem to have pursued the point in any depth, it has at its command (so long as Wellington acquiesces in Fono decisions) significant power to reallocate revenue away from offshore payments for services (which are then delivered collectively to the Tokelauan population as a sort of “social wage”) to onshore payments which would boost private cash incomes in the islands. In the light of the precedent of the Community Services Levy (which redistributes cash income from public service employees in the islands to the village councils, and thence to non public service groups in the community via pensions, copra price supplements and so on) it can be foreseen that the Fono may in future give more attention to the macro economic impact of the budget on Tokelau.<sup>22</sup> With only about 20% of the total budget presently spent in the islands there is much scope for increase but there are major issues of social policy raised by any large scale increase of onshore cash incomes in the islands. (This, after all, is the key lesson from the expansion of public service wage and salary payments during the 1970s). These issues are taken up again below.

## 8.6 “Administrative Decolonisation”

The departmental reorganisation set in motion in Wellington by the third Labour Government in 1974 involved the dismembering of the integrated administrative structure previously furnished by the Department of Island Territories. The task of administering the islands and their residents passed to the Ministry of Foreign Affairs, whose Secretary became the new Administrator of Tokelau. Meantime, matters concerning Tokelauans resident in New Zealand became the responsibility of various social service and internal affairs departments. The effect in the case of Tokelau was the same as for Niue and the Cook Islands, namely to impose a palagi defined demarcation on to what Tokelauans themselves perceived as an organic unity the total community of Tokelauans. Even the thin excuse for the Foreign Affairs takeover provided by self government in Niue and the Cook Islands was lacking in the Tokelau case. The idea that Tokelauan matters should be treated as foreign affairs, involving a relationship between equal and separate partners, was altogether inapplicable in the case of a dependent territory which had firmly rejected proposals for self government and opted for “colonial” status as a dependent part of New Zealand. Foreign Affairs officials were in some cases aware of the incongruity of their new role; the High Commissioner in Apia argued strongly against having the role of Administrator left with him, and for its transfer to Wellington, on the grounds that it was inappropriate for him to wear two hats at once the diplomatic representative to an independent nation, and the colonial administrator of a territory.<sup>23</sup> The Ministry itself, after six years' experience with Tokelau, promoted the separation of the post of Administrator from that of Secretary of Foreign Affairs, and the two were separated in 1980, with the retiring Secretary of Foreign Affairs, Frank Corner, retaining the Administrator's role.

The Ministry of Foreign Affairs nevertheless embarked promptly after 1974 on what was described at the time as a “process of administrative decolonisation” (a term which dropped out of official favour in the early 1980s, when the semantic emphasis was shifted to “moving towards a greater degree of self government”). The thrust of this programme echoed the procedure which New Zealand had already followed in Niue, namely pre-emptive installation of the institutions which Wellington felt to be appropriate for a self-governing country, in advance of any decision by the inhabitants to opt for self government. In Niue, this approach had presented Niueans with a virtual *fait accompli*: by the time of their “act of self determination” in 1974, they were already *de facto* self governing.

In Tokelau, New Zealand officials set about “creating a Tokelau identity” on the basis of a firm belief in Wellington that “anybody, including Tokelauans, are better off if forced to think about their own affairs and take some responsibility for them.”<sup>24</sup> From the outset it was envisioned (and still is) that the end point of the evolutionary process which New Zealand was promoting in the islands would be an act of self determination leading to self government in close association with New Zealand. In Tokelau, as in Niue and the Cook Islands, options other than this seem not to have received serious consideration. Foreign Affairs officials generally agree that integration has been regarded as unacceptable, since it has always been understood to mean control from Wellington, the extinction of Tokelauan local government autonomy, and the end of protection for Tokelauans against incursions from mainland New Zealand (of New Zealand laws, New Zealand settlers, and New Zealand land buyers).

In addition, the “colonial” status quo was until very recently discounted as a serious option with Foreign Affairs. The Ministry has generally been in the forefront of those who feel that colonialism is by definition something to be ended, in accordance with both United Nations Resolutions and the principles held by members of the Ministry themselves. So long as Tokelauans continued to resist pressures for an act of self determination, Foreign Affairs officials in Wellington and at the United Nations have respected and defended their wishes; but on the ground in Tokelau the logic of “administrative decolonisation” has continued to drive the islands towards a Niue type “solution”. This has involved the Ministry in a steady process of evangelisation, prodding Tokelauans into acceptance of a sequence of New Zealand designed institutional innovations. In summary, the programme since Foreign Affairs took over in 1975 has consisted of consolidating and expanding the public service and imposing New Zealand procedures for pay fixing and PSA representation (1975-78); then turning the resulting destabilisation of Tokelau society to advantage by promoting the General Fono as the agency which should exercise “control” over the public service (1979-1984), while at the same time working to convert the Fono into the equivalent of a national parliament, with the familiar executive committee charged with budgetary matters. In the early 1980s the key elected officials (the *faipule*) became effectively salaried officers. As the role of the Fono has been increased relative to that of the three village councils, it has become clear that a mini federation is in prospect. Meantime the role of the Official Secretary has become as difficult and ambiguous as was that of the New Zealand Representative in the Cook Islands from 1965 to 1982 (or rather 1975, when the 1965 constitutional provision was informally abandoned). While it is true that, as part of the “decolonisation” process, “New Zealand holds back from exercising the power it has”<sup>25</sup>, it is clear to all concerned in Tokelau that that power exists, and that its continuance is a straightforward consequence of Tokelau's expressed wish to remain tied to New Zealand. The relationship between the Official Secretary and the General Fono is therefore the key to the immediate future.

The impact and consequences of bureaucratic “modernisation” in Tokelau have been documented by Hooper, in a paper which has clearly had a strong impact on Foreign Affairs officials and has led to some re thinking of policy<sup>26</sup>. It is perhaps ironic that the period in which academic discussion of development problems was focussing on the inadequacies of “modernisation models” and the problems of dual societies, the New Zealand Government was engaged in a process of social engineering in Tokelau, the two main characteristics of which were faith in the technocratic public servant as the agent of modernisation, and the belief that “traditional” structures must bow to the inescapable demands of “modern” life. Hooper cites the Administrator's 1979 speech to the Fono:<sup>27</sup>

“The price of these new needs of yours (health, education, communications etc.) is a body of expert people, paid salaries and wages and perhaps difficult to fit into a traditional society. Give up the needs and you can give up the Public Service. But if you want these non traditional things it may be necessary to create some old and new traditions. The challenge is to find a way of joining old and new.”

As Hooper goes on to point out, this statement by the Administrator “gave no hint of how new traditions were to be created or how the challenge of joining old and new might be met ... (W)hose traditions should be modified those of the State Services Commission or those of Tokelau.”<sup>28</sup>

In Tokelau as in Niue and the Cook Islands, New Zealand has been unwilling to accommodate local variations on New Zealand ways of doing things. The assumption seems to have been (as the Administrator's statement just quoted suggests) that the necessary condition for delivery of the benefits of modernity health, education, communications, improved housing, and the like was the lock stock and barrel transplantation of the New Zealand public service structure, under the supervision of the State Services Commission and with a virtually unmodified application of the New Zealand rule book. As one key official has put it:<sup>29</sup>

“I don't see how you could have thrown over the New Zealand way of doing things.”

The other side of the debate, put to us by a senior Tokelauan public servant<sup>30</sup> but found also in Hooper's work and in several articles in Te Vakai, is that certain types of activity - especially public works - have always been done by Tokelauans in their own way, and it is not evident that “the New Zealand way” had to prevail in all cases. An illustration of this is worth considering.

The installation in 1982 of new, more powerful electricity generators on the atolls provides a salutary example of a constructive and relevant role for the public service in working within and strengthening rather than bypassing the traditional structure in achieving community goals:

“It is a considerable step to modernisation as we call it. Work was commenced on a high note; trenches were dug and a new 16mm cable laid; street lights were erected and private lines were laid; junction boxes and supply fuses were mounted. All of these were done 3 weeks on each island, mainly through the cooperation and support given by

each and everyone in the islands. The Council organised in community help. The men of course, share the physical labour, but we shouldn't forget the ladies with their traditional singing and dancing, supplying drinks and food for the tired workers. It is a tremendous sight and feeling to see this Tokelau way of participating, each section of the community playing their own role, and blending together to form a work team which would be hard to find anywhere else.

This was the unity and spirit which is fading out slowly in Tokelau. That was the way we used to perform our task in the past, it was unique in its own right. The inflow of money perhaps hinders our customs a bit, but then it's you and me who are asking for it in the name of progress. But of course we will have to give up something to gain something, that's the law of nature. I do pray it won't be our customs and traditions, which our forefathers set for us and made us one of the most peaceful communities in the world."

(Te Vakai, December 1982)

If the traditional community cooperation and participation had not been achieved it would have taken much longer to complete this work. The electricity example is a salutary contrast to the limited success of the coconut replanting programme, conducted by the Agriculture Department with its own resources (see Appendix 1). The Department was viewed by local communities as part of an external system, and the programme elicited little cooperation from the villagers.

In assessing the appropriateness of the "New Zealand way" a number of officials, including the last two Official Secretaries, have come to the view that the institution of full time wage labour on a permanent basis for a public works gang on each island was a mistake, and that it might have been wiser to have started from the existing aumaga and rotated wage earning jobs among all the young men of each village.<sup>31</sup> Recent moves to disestablish some public service posts reflect this new view; but it is not clear that the clock can now be turned back there is an irreversible logic to the spread of the cash economy, and the Tokelauan response tends to be that existing wage earning positions should be preserved and new ones created, rather than that existing opportunities be rotated. On the basis of their past experience with the New Zealand administration this position is understandable enough.

The problem, however, goes well beyond the issue of wage labour in the work gangs. New Zealand officials during the past decade have been under steady pressure from Wellington and New York to deliver tangible signs of so called "progress"; and they have been aware that the quickest and most "efficient" way to get things done is to reproduce New Zealand models. Material in the files from the 1970s gives the recurrent impression of officials working against deadlines, and impatient with the reluctance of Tokelauans to move at the speed desired by New Zealand. Not only public health, housing, education and transport had to move ahead; so also did political and administrative institutions. As frequently occurs in colonial settings, the metropolitan technicians called in to advise on, or implement, programmes of modernisation, find it hard to conceive of drastic adaptations of their metropolitan technologies to local conditions; and they generally have neither the time nor the inclination to explore possibilities of such adaptation (or to consider, with local help, how existing institutions might be extended or amended). Also familiar from colonial history in other settings is the impatience of New

Zealand officials with Tokelauan resistance to what the officials saw as beneficent innovations. Until the 1978 faipules visit to New Zealand brought home to Wellington officials the extent and implications of the disruptions brought by the Tokelau Public Service, New Zealand would hear no ill of its new creature.

The New Zealand attitude to Tokelauan ways, thus, was that the traditional must bend to the modern. The gap between the two was recognised, but the model on which policy was based was the standard neoclassical dualism one of “development economics”<sup>32</sup>, in which an initially widening gap between traditional and modern is steadily closed as the population shifts from traditional to modern ways and activities, producing eventually a fully integrated modern society. The task of the social engineer in such models is to identify those elements in traditional society which may be amenable to modern transformation, and to incorporate them in the drive towards modern ways of operating. “Traditional” elements which cannot be thus digested have no long run future.

Consider, for example, the early proposals for converting the faipule into agents of modernisation:<sup>33</sup>

“(The faipule) is the elected representative of the people and perhaps by involving him more in the 'projects' of the village (the hospital, schools, Post Office etc) we can expect him to develop a more active administrative role in the areas that we think important.”

And here is one of several commentaries by the Official Secretary on the question of changes in the role of the Fono:<sup>34</sup>

“Neither the [Fono] system itself nor the present membership of the [village] councils is equipped to control a modern public service. The system is rigidly autocratic and council members are generally old, unfamiliar with the world outside Tokelau, resistant to change and jealous of their authority. There are however grounds for optimism: First, the General Fono is rapidly assuming the importance of, and taking on the attributes of, a national parliament (whose 45 members seem invariably to represent a good cross section of Tokelau), and secondly, even the village councils are starting to turn to senior public for advice ... I believe that Tokelau can have a promising future other than as a dependent territory and that it should not wait for a new generation of toaina to take their places in the council. Its future lies in the fashioning over the next few months of a close partnership between the political institutions and a strong Tokelauan public service ... The question is whether the faipules and councils can be carried along. The forthcoming study tour of New Zealand [by the faipule] will be important ... in that it will impress upon Tokelau's representatives that New Zealand is serious about decolonisation.”

When in 1979, against considerable local opposition, New Zealand officials headed by the Administrator succeeded in chivvying the General Fono into setting up a Budget Advisory Committee, their longer run motives were explicit:<sup>35</sup>

If it works it has within it the embryo of a Cabinet. New Zealand's tendency to begin with predetermined plans for Tokelau, and to resist possibilities of accommodating to local ways, has always been most evident in the case of the Tokelau Public Service. The rapid expansion of the TPS' role is evident in Table 8.6. It began with the works programme instituted in 1966, when ten man permanent work gangs were set up on each island. As Hooper points out, this was a radical innovation in terms of Tokelau society:<sup>36</sup>

“There seems to be no question that educated teachers and medical staff should be paid for their skills and labour, but the work gang's tasks were seen as being quite within the capabilities of any able bodied man ... (One) compromise proposed was to rotate membership of the gang, but this met opposition from the overseer who preferred to deal with a regular body of workers, along established New Zealand lines. A less intransigent overseer might have compromised, but this one did not, and he eventually got his way in the face of some strong opposition. He was able to do so only because of a certain amount of local factionalism and because the local people really did want the work to go ahead as quickly as possible ... The system worked only because it seemed that it had to if any building was to be done ...”

The following year, 1967, the Tokelau Public Service was formally set up and placed under the control of the New Zealand State Services Commission, which has retained responsibility for TPS organisation ever since. The impetus for the reorganisation came from the belief that Tokelau was to be prepared for self government, and should therefore be furnished in advance with the full trappings of a public service, despite severe misgivings about this even within the SSC.<sup>37</sup> Over subsequent years Tokelauans viewed with suspicion and much incomprehension the extension of the scope and power of the TPS. When in 1977 the Official Secretary spent three months in the islands, he encountered very mixed attitudes towards the TPS in the village councils:<sup>38</sup>

“All three councils seem generally in favour of the new TPS. It is after all providing more and better services, pays higher wages and salaries than in the past, and is creating more employment opportunities for Tokelauans. There are a few misgivings. For example, the principle of merit selection is not widely accepted. It is generally felt that the appointment of an administration officer in each island has detracted from the faipule's authority ... and, while they accept that a TPS run public works team will give appreciably better results, the councils view with nostalgia the days of the village work gangs. What staggered me was the depth of the councils' ignorance of even the most basic principles governing the operation of a public service. At numerous meetings ... I have tried to generate some understanding of why the TPS exists, what its functions are, how it operates, its relationship with the village, and so on. Judging by the questions and complaints voiced during my meetings, this programme has succeeded in focussing Tokelau's attention on the TPS. But there it stops ... At one meeting my 30 minute set piece on administrative decolonisation drew just one question: do casual labourers have to work in the rain? That, regrettably, was not untypical.”

The problem appears to have been that “the most basic principles governing the operation of a public service”, as New Zealand officials saw them, were substantially different from the basic principles governing Tokelauan social organisation. The question of whether work should continue in the rain may well have had a substantial point to it, for the characteristic feature of TPS organisation in the 1970s was the mechanistic application of the New Zealand rules of employment, including hours of work for public servants and the extraordinary (in Tokelauan conditions) requirement that public servants must devote themselves full time to their public service work, even when this was insufficient to take up all their time, and when their labour power could productively have been used by the village in communal tasks. Hooper<sup>39</sup> notes the case of the village policeman who, once incorporated into the TPS, was deprived of the right to make commonsense decisions about the allocation of his time between police work and village work. The rigid application of the State Services rulebook continues in 1984 - it is still impossible to employ people in TPS posts which do not correspond to New Zealand type job descriptions, which has the effect of preventing Tokelauan public servants from performing multiple roles in a system of job sharing.

The thrust of the State Services Commission's administration of the TPS over the years has been steadily in the direction of formalised bureaucratic empire building. The ratio of permanent to temporary staff rose sharply in the 1970s<sup>40</sup>, with security of employment, membership in the New Zealand Government superannuation scheme, and regular salary increments decreed from Wellington and based on those granted to New Zealand public servants. Hierarchical lines of command have been established in each Department, and prescriptions for the design of the TPS and its relationship with the rest of society have been mechanically and legalistically restricted to the familiar Westminster formula<sup>41</sup>, including the separation of powers, which seems ludicrously misplaced in a society of 1,600 persons, many of whose most able elders are public servants.

TABLE 8.6

The Growth of the Tokelau Public Service

|           | Year | Positions, Island<br>population | Positions as<br>percent total |                   |
|-----------|------|---------------------------------|-------------------------------|-------------------|
| Permanent | 1971 | Seconded                        | 11                            |                   |
|           |      | 48                              |                               |                   |
|           |      | 24                              |                               |                   |
|           |      | 83                              | 5                             |                   |
| Permanent | 1974 | Seconded                        | 12                            |                   |
|           |      | 62                              |                               |                   |
|           |      | 28                              |                               |                   |
|           |      | 102                             | 6.5                           |                   |
| Permanent | 1976 | Seconded                        | 10                            |                   |
|           |      | 68                              |                               |                   |
|           |      | 31                              |                               |                   |
|           |      | 109                             | 6.9                           |                   |
|           | 1977 | TOTAL <sup>1</sup>              | 143                           | 9.1 <sup>3</sup>  |
|           | 1979 | TOTAL <sup>2</sup>              | 171                           | 10.9 <sup>3</sup> |
|           | 1984 | TOTAL                           | 176                           | 11.1 <sup>4</sup> |

Source: State Services Commission, Wellington.

Notes:

1. Following inspection in December 1976, 58 temporary staff were transferred to permanent staff.
2. Following inspection in December 1978, 22 new positions were established.
3. Calculated on 1976 population.
4. Calculated on 1983 population.

With a rigidly constituted and tenured public service established in advance, administratively controlled by the State Services Commission in Wellington, and responsible on policy matters to the Official Secretary (the local representative of the Administrator), New Zealand's scenario for the political development of Tokelau began to gather momentum at the end of the



1970s. At the end of 1977 the three faipule were brought to New Zealand to talk with Government officials. The Ministry of Foreign Affairs, evidently under pressure from the United Nations, hoped that the previous few years' process of "administrative decolonisation" could culminate in mid 1979 in an "act of self determination" which would lead to self government<sup>42</sup>. In a meeting with the Minister of Foreign Affairs, Mr Talboys:<sup>43</sup>

"the Faipule were ... appraised of New Zealand's determination that Tokelau should accept greater responsibility in the administration of its own affairs and equally were reassured that New Zealand would maintain at least its present level of assistance should Tokelau embrace this new relationship.

As had earlier been the case in the Cook Islands and Niue, Ministry officials in 1978 found that their main problem in meetings with Tokelauans in 1978 was allaying their fear that New Zealand might be planning to "cut Tokelau adrift".<sup>44</sup>

The momentum toward self government was stepped up again in 1979, when a study group of Tokelauans was sent to Tuvalu to observe the working of independence, and New Zealand made plans for Premier Rex of Niue to pay a visit to Tokelau.<sup>45</sup> The tone of speeches made by the Administrator to the General Fono in mid 1979 also reflected Wellington's evident hope that Tokelau would accept an early "act of self determination". Tokelauan resistance held firm, however, and when in June 1981 a second United Nations Mission visited Tokelau it received the same answer as had the first (in 1976), that Tokelau did not wish to revise the existing relationship with New Zealand. Wellington's response, echoed in statements since, was to retain the ostensible goal of political evolution unaltered, while conceding to Tokelau only the right to determine the rate at which movement towards that goal occurred:<sup>46</sup>

"New Zealand remains committed to assisting Tokelau towards a greater degree of self- government and economic self sufficiency at a pace that the people desire."

Meantime, the underlying thrust of administrative decolonisation proceeded steadily, whether Tokelauans wanted it or not. Starting in 1978, New Zealand began to give growing emphasis to the idea that the Tokelau Public Service was the servant of the Fono, and would have the dual role of advising the Fono on policy matters and of carrying out Fono decisions. This appears to have been a response to fears expressed by the faipule on their 1978 visit to Wellington, that the TPS was undermining the authority of the traditional institutions of Tokelau. Wellington's response to the problem was symptomatic. Rather than considering changes to the TPS (which would in any case have been possible only with SSC agreement) the Administrator embarked on a series of changes designed to make the Fono more like the New Zealand Parliament, and hence able to exercise the authority of a national legislature over its public service. At the January 1978 Fono the Official Secretary made it clear that:<sup>47</sup>

"the main role of the strengthened public service was to provide the political institutions of Tokelau with all the information they needed to make good decisions, and then to carry out Tokelau's wishes."

Over the following couple of years the Fono was prodded into setting up a Budget Advisory Committee to decide on the allocation of that part of the New Zealand grant not pre-empted by the (untouchable) TPS salary and wage bill and other pre-fixed expenditures. Repeated suggestions from the Tokelau side that public servants should form part of any such committee were rejected by New Zealand officials, appealing to the Westminster doctrine of separation of powers. In November 1979, at meetings with the elders on the three atolls, the two sides set out their positions:<sup>48</sup>

... the office of Tokelau Affairs felt that the shaping of Tokelau's budget was a matter for the political leaders of Tokelau to decide with proper advice from the Public Service through its head (i.e. the Official Secretary).

(The Atafu elders responded that) as the issue is still one of the most difficult ones for them to understand, they would regard it as essential that one of their more knowledgeable Public Servants be included in the Budget Committee.

The New Zealand view, maintained consistently, was that “the budget process was close to the heart of government”<sup>49</sup>, and that it was desirable to force the elders to “come to grips with the Estimates”<sup>50</sup>. From the elders' point of view, their resistance to taking on budget preparation as conceived by Wellington is entirely understandable. As has already been pointed out (above), the style of budget sought by New Zealand was quite idiosyncratic, and one does not have to be a Tokelauan elder to be daunted by the task of analysing the accounting categories, imposed by the bureaucracy in advance, within which the exercise had to take place. Comments from New Zealand officials about the elders' difficulties in coping with the task, and with the very murky constitutional dogmas invoked by New Zealand were unsympathetic:

“They had to be made to realise, for the first time, that if they wanted more of one thing they would also have to decide to have less of another ...<sup>51</sup>

... it was significant that much of our discussions, while completely familiar, gave little indication of the Elders' ability to relate constitutional theory to practice ...<sup>52</sup>

It does not seem to have been well appreciated by New Zealand officials that resource allocation decisions, albeit in a traditional rather than a modern framework, have always been at the heart of the organisation of life on atolls, and that the constitutional theories being peddled in Tokelau bore little commonsense relation to reality as the Tokelauans knew it. In a society accustomed to reaching decisions by consensus in which the most experienced members of the society are supposed to participate, the exclusion of Tokelauan public servants from committee discussion of the annual budget ran directly counter to intuition. The actual working of the separation of powers doctrine, furthermore, was and is extremely unclear in the setting of a non self governing territory, which Tokelau seems likely to remain for the moment. To Wellington officials, in whose minds

the transition to full internal self government was already as good as made, it may well have been obvious that the TPS should remain separate from the representative institutions of Tokelau and an instrument of their will, as in a Westminster style nation state. From the Tokelauan side, however, if one assumes that the status quo is to be retained, with ultimate authority continuing to reside in Wellington, and with the TPS (and its policy advice) controlled by the Administrator, it is then by no means so clear that individual public servants should be prevented from playing any direct role in local political decision making.”

This issue is one which still causes a good deal of disquiet among TPS members in Apia. As members of the TPS, they are responsible to the Official Secretary, and are expected to present the official line when formally advising the elders on any policy matter, even when they (the public servants) personally disagree with that official line. Under the separation of powers doctrine as applied by New Zealand, the Fono is not able to over rule the Official Secretary and seek the personal views of TPS members. TPS members then face a severe conflict of loyalties, since to promote policy views which they consider to be in Tokelau's best interests would involve them in subverting the institution of which they are part, and from which they earn their living. They do not have the option (which New Zealand public servants enjoy) of joining political parties in their private capacity as individuals, and working thus for policies which may directly contradict the official ones. (The option does not arise because Tokelau is not a multi party electoral system).

The simple truth is that as the TPS and the Fono are presently constituted, the TPS is New Zealand's creature, not the Fono's; and in any conflict situation, it must take New Zealand's line in presenting advice to the Fono. As representative of the Administration, the Official Secretary has, and exercises, the authority to overrule the wishes of the Fono<sup>53</sup>; and the TPS is bound to support the official position whatever their personal views. The possibility of informed opposition to New Zealand wishes is thus averted, which makes the Administrator's life easier but tends to build up frustration in Tokelau. The problem would be resolved if Tokelau were to opt for self government, for then New Zealand would not have to take responsibility for Tokelauan decisions. If, however, as presently seems probable, Tokelau does not formally opt for self government, some creative thinking will be called for on the New Zealand side.

## 8.7 The Olohega Case

The resolution (from New Zealand's point of view) of the long standing dispute over Olohega (Swains Island) provides a good example of the sort of procedures which worry Tokelauans, and at the same time of the New Zealand tendency to implicate Tokelauans in New Zealand decisions, rather than taking full and careful account of their concerns.

Olohega lies 100 miles south of Fakaofu and 170 miles north of American Samoa. Olohega was first settled by the Tokelauan people in 1400. After intermittent control by different European interests, the island was apparently given by a British captain to an American citizen named Eli Jennings. As for the natives, they were considered to be workers and property of the Jennings plantation on Swains Island. The question of sovereignty first came to New Zealand's attention in 1917, when some inhabitants complained to the Western Samoan administration

about working conditions on the island. The authorities in Apia referred the matter to the United States as the national authority over Jennings and his family. In the early 1920s, diplomatic exchanges between Britain, the United States and New Zealand led to formal United States annexation of the Swains in 1925. At the time, the Tokelauans of Fakaofu lodged a counterclaim to the islands, but this was largely ignored by the governing New Zealand administration.

Any dispute between Tokelau and the United States over control of Olohega remained dormant for some fifty years, but in the late 1970s with the establishment of Tokelau's E.E.Z., the matter surfaced as an obstacle to economic benefits for all concerned. As Administrator of the islands, New Zealand was caught as broker between a major trading partner on one hand and a former colony on the other.

“In 1975 and during the United Nations Mission's visit in June 1976, the Tokelau claim to Swains Island was again raised. The New Zealand Government was asked to bring it to the attention of the United States. We have discussed the matter with the United States Government on various occasions in the past two years. Two aide memoire were presented in June, 1978 (this year), one relating to the United States claim to Tokelau and the Northern Cook Islands (Penryn), and another relating to the Tokelau claim to Swains Island.”<sup>54</sup>

The United States Government took the position that U.S. sovereignty over Olohega should be recognised, and U.S. claims over the remainder of Tokelau renounced, in the form of a maritime boundary treaty between New Zealand and the United States. Such treaties have opened the way in recent years for negotiations between Island governments and the American Tunaboat Association over licence fees for fishing operations within the EEZs of the island countries. From New Zealand's point of view, the importance of negotiating a treaty was to enable a Tokelauan EEZ to be implemented, so that local government revenues could be augmented by licensing fees from fishing vessels. The sums involved were not very great and have not yet eventuated,<sup>55</sup> but New Zealand placed a lot of emphasis on the desirability of moving Tokelau “towards running its own affairs and to a greater economic self sufficiency”<sup>56</sup> and wished to see the boundary dispute with American Samoa resolved quickly. In mid 1979, during a visit by the Administrator, Frank Corner, the Tokelau Fono agreed not to press the claim to Olohega if the EEZ could be agreed and implemented. The EEZ was implemented by New Zealand on April 1 1980, but without US recognition; and it was clear that a maritime boundary treaty could be negotiated only if the Olohega claim was explicitly renounced (not merely left dormant). New Zealand officials therefore approached the General Fono in June 1980 with the proposal that the claim be renounced and a treaty signed along the lines sought by the United States Government. The arguments advanced to the Fono by the leader of the New Zealand official party were as follows:<sup>57</sup>

- 1) “The United States would not voluntarily abandon its assertion of sovereignty over the Swains.
- 2) Because international law related to sovereignty placed great weight on administrative occupation, the Tokelauan claim was weak. (Legal advisors in the New Zealand MFA believed that a tribunal would dismiss the Tokelauan claim).

- 3) The final New Zealand assessment was that unless Tokelau was prepared to go a long way down the road of abandonment of its claim to Swains, it would not be possible to negotiate a treaty with the U.S. which drew a maritime boundary between Tokelau and American Samoa and contained a renunciation of the U.S. claim to Tokelau.”

Despite Beeby's plea for a “practical” response and not one backed by historical “nostalgia”, the Tokelauans were reluctant to give up their cultural claims to the Swains. The Fono were almost unanimously against abandoning their claim to Olohega in principle practice.<sup>58</sup>

The views of one outspoken member directly challenged the New Zealand interpretation of international law. Beeby reported:

“I began to lose conviction largely as a result of an extremely astute question about the second of the three judgements I had put before the Fono, i.e. that the Tokelauan claim to the Swains was weak and would not be upheld by an international tribunal.”

The astute question went as follows.

“The people of Tokelau lived for many years cut off from the rest of the world. We were in no position to know of the rules of law about disputed territory and of the actions that nations and people should take to protect a claim to such territory. For us, the sun has just risen. In considering our claim would an international tribunal have regard to this fact and would it hold us accountable for our actions (or inactions) when we still lived in the darkness.”

“This question ... I suspect may prove to be an untested (and highly relevant) area of international law relating to the acquisition of territory.”

Mr Beeby concluded during the Fono that “we must examine Tokelauan claims”. One possibility was to do so through an international court of law. Such a hearing would assure the Tokelauans of a full expression of their views and provide some redress for New Zealand's failure to review colonial land disputes in the 1920s. As a former Official Secretary in Tokelau pointed out:<sup>59</sup>

“By today's standards at least and as a matter of political appreciation, Tokelau can rightly regard itself as having been badly done by.”

Upon Mr Beeby's return to New Zealand he discussed the Tokelauan claims, and a proposal for a third party hearing, at a meeting with senior Foreign Affairs administrators.<sup>60</sup> It was decided however that there was little to be gained from such an exploration of the position in international law, while failure to conclude a treaty with the United States would undermine New Zealand's plans for securing revenue from the Tokelauan EEZ at an early date. The treaty was therefore agreed, and signed on 2 December 1980 on Atafu, by the three faipule acting for New Zealand.

The Administrator presented New Zealand's approach to the issue in terms of the usual formula:<sup>61</sup>

“The negotiations were consistent with our policy of encouraging the people of Tokelau to make decisions for themselves.”

From the Tokelauan point of view, this does not seem a fully accurate representation of what had occurred. The “decision” ultimately taken was Tokelauan acquiescence in New Zealand's strongly expressed wishes. It went against the grain of Tokelauan wishes, produced a good deal of resentment and distrust of New Zealand, which still lingers, and highlighted in Tokelauan minds the eternal issue of where the *malo* (real power) resides. New Zealand officials assumed throughout that Tokelauans would accept the New Zealand order of priorities (in which financing 5% of the annual budget from fishing licence fees ranked above retaining the *Olohega* claim). New Zealand officials no doubt felt that the claim was an anachronism, an unnecessary source of future friction with the United States, and something the Tokelauans would be better off without. They failed, however, to take sufficient time to persuade Tokelauans of these arguments in Tokelauan terms; and they showed themselves unwilling to accept the strong *Fono* objection to the proposed treaty.

Tokelauans now question whether the signing of the treaty may have been a mistake. Within the TPS there is a feeling that the elders in the *Fono*, deprived as they were of any independent source of advice, were unable to withstand the pressure from Wellington for signature of the treaty. Had TPS members been free to advise the *Fono*, the battle might well have been harder fought. More to the point from the New Zealand point of view, the issue of *Olohega* has not yet been fully resolved, despite the signing of the treaty. In terms of *palagi* laws the Tokelauan claim has been renounced, but it was not done by the free will of Tokelau, and in the nature of such claims, the “traditional” claim will not be extinguished until Tokelauans willingly relinquish it. The issue may well arise again with the next visiting United Nations mission, if there is one.

#### 8.8 Time for a Pause, Rethinking & Improved Communication?

In view of the continually repeated requests of Tokelauan leaders that they do not wish to change the present relationship, a policy of *taihoa* (go slow) seems to be called for, and a period of rethinking all aspects of the Tokelau situation and the relationship of the islands to New Zealand. The lack of continuity in New Zealand officials, with people arriving uninformed and leaving again often after two years, has compounded the problem, confusing Tokelauans,<sup>62</sup> even although some have attempted “to devise machinery .... consistent with the Tokelauan way of managing their affairs” (Corner 1984: 25). It is interesting to note that the two New Zealanders with the most intimate knowledge of Tokelauan society - Professor Antony Hooper and Dr Judith Huntsman) place the highest priority on establishing good communications between New Zealand and Tokelau in face to face human terms. It is also true that New Zealand also gives top priority to improved communications but takes a characteristically Western technological approach of introducing an air service. Professor Hooper<sup>63</sup> suggests that it is necessary to spend two months on each island in order to establish good communication, and to determine then what is feasible for the future in consultation with the freely expressed wishes of the Tokelau people. The people might well decide not to devote major resources to the development of new political institutions but might attempt to develop

the village from its basic sub structure, complemented by a small super structure on top to deal with education, health and the like.

## NOTES TO CHAPTER EIGHT

- 1 According to a Tokelauan informant in Apia.  
2 File note, MFA 449/1/1, Part 4.  
3 New Zealand Official Yearbook, 1984, p. 888.  
4 Descriptions of neo traditional Tokelau society are in A. Hooper, "Socio Economic Organisation of the Tokelau Islands", Proceedings of the International Congress of Anthropological and Ethnological Sciences, Tokyo, 1968; and A. Hooper, "Aid and Dependence in a Small Pacific Territory", Anthropology Department Working Paper No 62, University of Auckland, 1982, pp. 17 47  
5 AJHR 1926, A4D, p.6.  
6 See, for example, AJHR 1949, A6.  
7 See AJHR 1926, A4D, p.6, and AJHR 1948, A4A.  
8 1948 marks the beginning of the process of disentangling Tokelauan administration from that of Western Samoa; the Tokelau Islands Act 1948 brought the islands within New Zealand's territorial boundaries, and separate administrative annual reports were made from that year on. Western Samoa, as a trust territory, was clearly set to move towards eventual self government  
9 For a useful discussion of Tokelau's demographic history see A. Hooper, and J. Huntsman, "A demographic History of the Tokelau Islands Journal of the Polynesian Society, Vol. 82, No. 4, December 1973.  
10 Hooper (1982): 12 13. Official sources state that total assisted resettlement was 502 (November 1976 briefing notes, MFA 449/1/1, Part 2), but this probably includes several dozen people moved under pre 1966 schemes. According to AJHR 1966, A1, p.54, the Minister of Island Territories, Mr Hanan, envisaged in 1966 the movement of half of the total population. Some voices at least argued for total evacuation (see e.g., the article by J. Rowe in the Auckland Star, September 8, 1970) and there is still a readiness in some official circles to canvass evacuation as an option with "a certain harsh logic".  
11 The Team is not here distinguishing the various local groups of Tokelauans in New Zealand (at Wellington, Rotorua and Auckland) as individual "communities' as recognised by the United Nations Mission.  
12 On these developments see AJHR 1948, A4A, pp.10-11.  
13 AJHR 1950, A6, pp. 10-11.  
14 Reference to Figure 5.5 shows that in two March years, 1975 and 1980, export earnings briefly exceeded the 1950/51 level. The 1975 figure includes most of the 1974 copra crop, which could not be exported during that year for lack of shipping. The 1980 figure appears to have been a genuine boom year, with 308 tons of copra exported at a price of over \$500 per ton. (MFQ 449/23/1, Cable July 28, Apia to Wellington).  
15 Annual Reports in AJHR carried these estimates. By 1956 the officially estimated population was 1,875; the census of that year found only 1,619. Starting from this base the estimate rose to 1,938 by 1961, in which year the census found actual population to be only 1,860. In 1963 the Administration began conducting annual censuses to monitor population.  
16 Hooper (1982), p.14; AJHR 1967, A3, p.43.  
17 Hooper, A and Huntsman, J., "A Demographic History of the Tokelau Islands", Journal of the Polynesian Society, Vol. 82, No. 4, December 1973, p.368.  
18 This is substantially less than the total value of copra exports for the 1971-72 year - \$13,000 approximately. Tax on copra would account for some of the difference; and it is possible that the export figures show value in Apia or New Zealand rather than at the beach in Tokelau. Even substantial adjustments within the range \$6,500-\$13,000, however, would make little difference to the picture which results in the text.  
19 September 10, 1979, Tokelau Office to Wellington, 449/23/1.  
20 September 21, 1979, Wellington to Tokelau Office, 449/23/1.  
21 A commodity by island breakdown of imports for the 1982 83 year is included in file 449/23/1, and detailed stores invoices for 1983/84 are available in the Tokelau Office in Apia.



22 The present pressure for the Tokelau Office to be moved from Apia to the islands appears to be motivated largely by the hope that the change would increase the volume of cash incomes received onshore, and hence subject to taxation for the Community Services Levy, or spent through the village stores.

23 Apia to Wellington, 1974, 449/1/1, Part 1.

24 Both expressions are from Frank Corner; interview Wellington April 15, 1984.

25 Interview with F. Corner, April 15, 1984.

26 Hooper (1982).

27 Hooper (1982): p.68; quoting from Te Vakai.

28 Hooper (1982): 68-69.

29 F. Corner, interview, April 15, 1984.

30 Interview, Apia, May 1984.

31 This rotation of temporary wage earning jobs is widely preferred also by villagers in Kiribati and was recommended by the Victoria University Rural Socio Economic Survey, accepted by the Kiribati Government in the 1970s.

32 See, for example, Ranis and Fei (1964).

33 Apia to Wellington, February 28, 1975, MFA 449/1/1, Part 2.

34 Tokelau Office to Wellington, cable of October 11 1977, MFA 449/1/1, Part 3.

35 Administrator's report on visit to Tokelau, August 28, 1979, MFA 449/1/1, Part 3.

36 Hooper (1982): 46-47.

37 A report by an SSC inspector in 1968 made it clear that he viewed the 1967 Tokelau Public Service Act as "premature", and that the establishment of a full blown public service was warranted only under the pressure of a move to self government. (A.J. Healy, Report on 1968 Inspection of TPS, in MFA 449/1/1, Part 1).

38 Cable 11 October 1977, Tokelau Office to Wellington, MFA 449/1/1, Part 3.

39 Hooper (1982): p.61.

40 Hooper (1982): p.89; see also Table 8.6 above.

41 See, for example Wilson: (1980).

42 Administrator to Tokelau Office, December 9 1977, MFA 449/1/1, Part 3.

43 Wellington to UN Mission, New York, January 6 1978, MFA 449/1/1, Part 3.

44 Administrator to Tokelau Office, December 9 1977, MFA 449/1/1, Part 3.

45 Tokelau Office to Wellington, April 5 1979, MFA 449/1/1, Part 3.

46 AJHR 1982, Al p 6.

47 Tokelau Office to Wellington, report on Fono January 21 23, 1978, MFA 449/1/1, Part 3.

48 Tokelau Office to Wellington, December 12 1979, MFA 449/1/1, Part 3.

49 Administrator to Minister of Foreign Affairs, August 28 1979, MFA 449/1/1, Part 3.

50 Tokelau office to Wellington, October 24 1979, MFA 449/1/1, Part 3.

51 Administrator to MFA, August 28 1979.

52 Tokelau Office to Wellington, April 14 1980, MFA 449/1/1, Part 3.

53 In the past year, for example, he has had to refuse repeated suggestions that fares on the boat between Apia and Tokelau should be subsidised for all Tokelauans, and not just those resident on the atolls.

54 MFA 449/1/1 (Part 3).

55 To early 1984 a total of about \$5,000 had been received in fees for fishing in the Tokelau EEZ, according to the Tokelau Office in Apia (Interview, May 4 1984). Hopes expressed during 1983 for 25 boats fishing in the zone, and possibly \$100,000 per year in fees have so far been disappointed, and future projections are now less optimistic following the 1983 signing of a joint access agreement for the ATA which included the Cook Islands, Niue, Tuvalu and Western Samoa. The current Tokelau budget does not include any fees revenue.

56 F Corner, briefing for 34th Session of UN General Assembly, 1979.

57 C. Beeby, speech to Fono, June 1980, MFA 449/1/1, Part 3.

58 Memo, July 25 1980, MFA 449/1/1 (part 3).

59 N. Walters, MFA 449/1/1 (Part 3)

60 Minutes of meeting, 18 July 1980, 449/1/1 (Part 3).

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- <sup>61</sup> F. Corner, Review of the Delimitation Treaties between U.S. and Tokelau, 12 December 1980, 449/4/12/1.
- <sup>62</sup> Comment by Dr Judith Huntsman, Workshop, Auckland, May 1984.
- <sup>63</sup> Comment by Prof Antony Hooper, Workshop, Auckland, May 1984.

## CHAPTER NINE

### KIRIBATI

The Republic of Kiribati, formerly the Gilbert Islands, consists of 33 islands divided into three groups: the Gilberts Group (16 islands), the Phoenix Group and Line Group. The total land area of the country is only 750 square kilometres, with over half the total made up by Christmas Island, the largest atoll in the world. The main Gilbert group comprises only 285 sq. kms. However, the islands are spread over a vast area of ocean, stretching over 3,200 kms from east to west and 1600 kms from north to south, and in terms of marine area, if not land, Kiribati is a very large country indeed. Taking into account the 320 km economic zone claimed by the Republic, the country is over 3 million square kms in area. Moreover, in terms of the livelihood of the people, it is as relevant to count lagoon area as well as land area on the atolls: thus while Tarawa has only 21.9 sq. kms of land, it has a lagoon rich in fish resources of 117 sq. kms.

#### 9.1 Population

The country has a population of about 60,000. In 1978 41 percent of the total population was under 15 years, indicating a youthful population. The crude birth rate was 34.9 births per 1,000 of population. The average density of population per sq. km for the country as a whole is about 80 per sq. km, although in the main Gilberts Group, it averages 202, with the most densely populated islands such as Tamana and Butaritari reaching 336 and 255 per sq. km. respectively. In such islands as Tamana which occasionally experiences severe droughts, this heavy population pressure on extremely limited resources gives grounds for concern. Some authorities believe that the rate of population growth has accelerated somewhat since the early 1970s (when a Family Planning Campaign enjoyed some success for a while), and figures for a current rate of increase of between 1.6 and 2.2% have been mooted (Fifth Development Plan, p.2). However, a rate of 1.7% can be derived from a comparison of the population figures at the 1978 and 1973 censuses. The next census to be held in December 1984 should reveal whether the growth rate is rather high, or very high, and whether top priority should be accorded to a population control programme.

Pitchford (1981) using 1978 Census data, states that one third of women have a baby before they reach the age of 20. By the time she is 49, a woman of Kiribati will have an average of 6.25 living births (slightly more if she is a Catholic, and slightly less if she is a Protestant). For every 1,000 births in Kiribati, 87 babies die within the first year. This is a high rate of infant mortality for the Pacific Islands. The life expectancy is low for the Pacific; at birth a boy may expect to live to the age of 50, and a girl to the age of 54. In Fiji, people live 10 years longer and in developed countries nearly 20 years longer.

Dr Macrae, Census Commissioner in 1978, made the following projections of population. Since there is no migration out of the country, and if we accept there is no major escalation of contraceptive acceptance or other factors affecting fertility, then the current situation of Constant Mortality and Fertility (Column 3) can be a yard stick for future planning (Table 9.2).

GIL

Maiana

Kuria & ABEMAMA  
Aranuka

• Ocean Nonouti  
TABITEUEA; Beru  
Nikunau

TAMANA, Arorae

NANUMEA  
Nanumanga • Niutao

Nui , Vaitupu

Nukufetau ,  
FUNAFUTI

**Nukulaelae** 9

• **Niulakita**



KIRIBATI POPULATION, 1931-1982

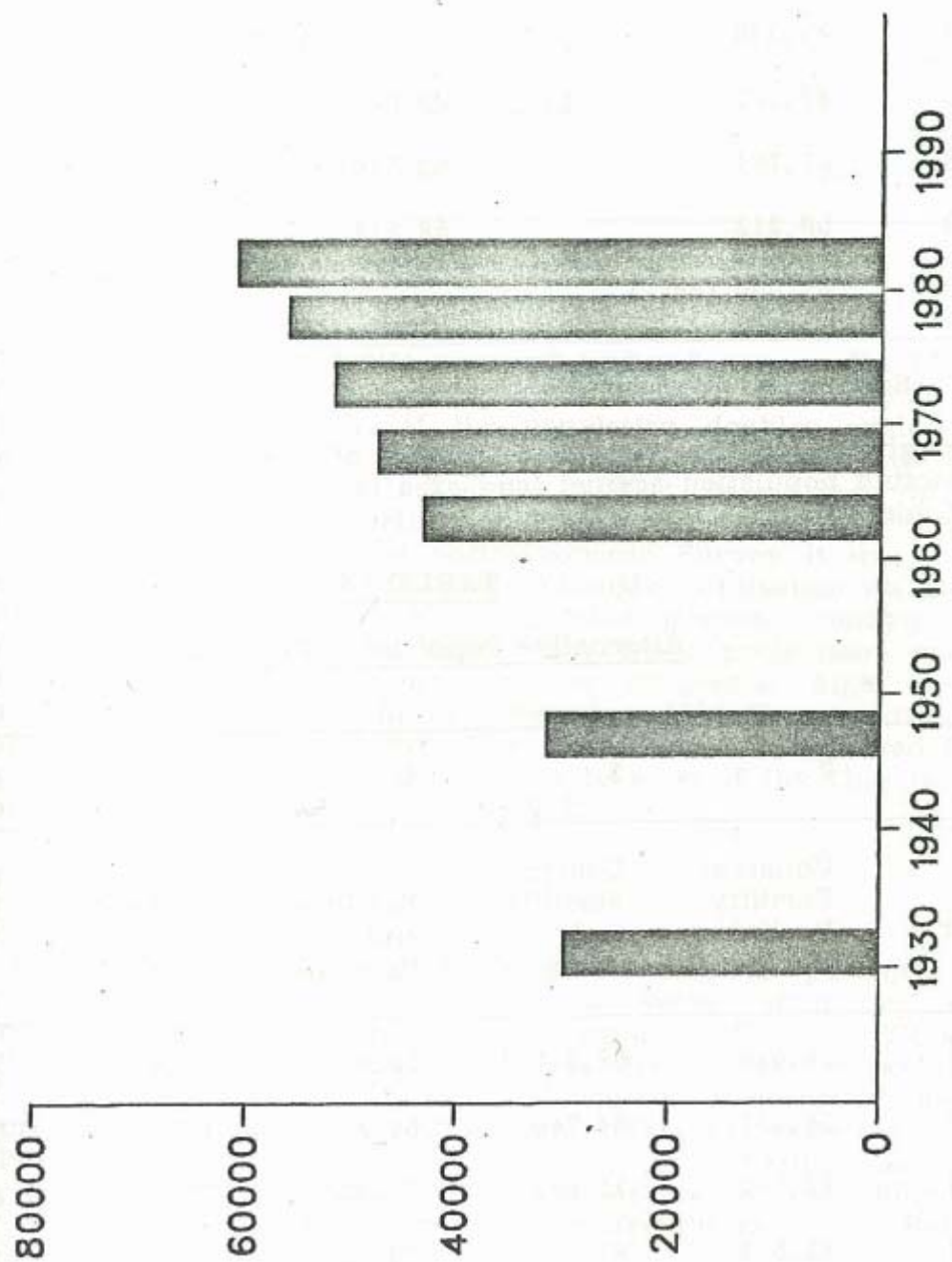


TABLE 9.1

Kiribati: Total Population 1931-1982

| Year  | De Facto<br>Population<br>(estimated) | De Jure Population | Intercensal growth<br>rate of de facto<br>population, annual<br>average% |
|-------|---------------------------------------|--------------------|--------------------------------------------------------------------------|
| 1931  | 29,751                                |                    |                                                                          |
| 1947  | 31,513                                |                    | 0.4                                                                      |
| 1963  | 43,336                                |                    | 2                                                                        |
| 1968  | 47,682                                | 49,086             | 1.9                                                                      |
| 1973  | 51,784                                | 53,549             | 1.7                                                                      |
| 1978  | 56,213                                | 58,512             | 1.7                                                                      |
| 1982* | 61,000 (est*)                         |                    | 2.1 est                                                                  |

\*Second Development Plan.

A rough idea of the population problem of the future can be provided by projecting population against land area in the Gilberts Group, as indicated in Table 9.3.

TABLE 9.2

Alternative Populations Projections

| 1    | 2                                               | 3                                      | 4                                       | 5                                               | 6                               |
|------|-------------------------------------------------|----------------------------------------|-----------------------------------------|-------------------------------------------------|---------------------------------|
| Year | Constant<br>Fertility<br>Declining<br>Mortality | Constant<br>Fertility and<br>Mortality | Declining<br>Fertility and<br>Mortality | Declining<br>Fertility<br>Constant<br>Mortality | Number of<br>Years from<br>1980 |
| 1978 | 58,016                                          | 58,016                                 | 58,016                                  | 58,016                                          |                                 |
| 1983 | 64,957                                          | 64,760                                 | 64,577                                  | 64,397                                          | 3                               |
| 1988 | 73,597                                          | 72,882                                 | 71,922                                  | 71,245                                          | 8                               |
| 1993 | 83,573                                          | 81,941                                 | 79,457                                  | 77,945                                          | 13                              |
| 1998 | 94,815                                          | 91,556                                 | 86,803                                  | 83,882                                          | 18                              |
| 2003 | 106,979                                         | 101,854                                | 93,296                                  | 88,933                                          | 23                              |

TABLE 9.3

| <u>Projected Population Pressure</u> |            |                                     |                           |
|--------------------------------------|------------|-------------------------------------|---------------------------|
| Year                                 | Population | Acres per person in Gilbert Islands | Number of years from 1981 |
| 1978                                 | 58,016     | 1.189                               |                           |
| 1983                                 | 64,760     | 1.065                               | 2                         |
| 1988                                 | 72,882     | 0.947                               | 7                         |
| 1993                                 | 81,941     | 0.842                               | 12                        |
| 1998                                 | 91,556     | 0.754                               | 17                        |
| 2003                                 | 101,854    | 0.644                               | 22                        |

Note: Constant fertility and mortality assumed.

In 1947 the area of land per capita was just under 3 acres. By 1980 the population had doubled with a distribution of land of just over 1 acre. At its present rate of growth, if the population doubles again in 30 years, there will be less than half an acre of land per capita in the whole group and this is land that Trewren (1984) has shown to have exceptionally low levels of soil fertility including micro element deficiency. Although at the time of the Rural Socio Economic Survey it was evident that there was unused capacity for more intensive utilisation on all five islands studied and some moderately populated islands probably could support a substantial increase in population, these projections do give considerable grounds for concern. If the suspected high rate of population growth is confirmed in the December 1984 Census, two main avenues of population policy deserve close examination: a renewed family planning campaign, and possible resettlement to some of the Line Islands. These issues are discussed below (section 9.12).

## 9.2 The Economy

Next to Papua New Guinea, the Kiribati economy is perhaps more dominated by the non monetised subsistence sector than any other national economy in the whole Pacific region. This condition is undoubtedly due to the extreme remoteness from major markets and centres of innovation, to smallness, and to the great dispersal of the tiny islands across a vast expanse of ocean. Freight rates are thus inordinately high and shipping out produce is difficult and very expensive. Freight rates are about A\$90 a tonne to Fiji, including costs of picking up copra on islands en route. The freight rate from Betio to Europe is about US\$140 per tonne.

Long run trends in foreign trade are set out in Table 9.4. Until the mid 1950s, Kiribati (then the Gilbert Islands) exhibited the trade surplus of a classical capital exporting mineral rich colony. There then took place a sharp increase in import levels to the point where during the first half of the 1960s nearly one quarter of imports were financed other than from export

earnings (largely, one would suspect, from labour remittances from seamen and workers on Nauru). Then occurred an increase in the relative price of Banaba phosphate, which sent export earnings to extraordinary heights during the late 1960s and early 1970s, while real import demand remained on a steady, slow growth path (see Figure 5.3). The fact that this extremely rapid rise in export earnings had no perceptible impact on the rate of growth of import demand is highly significant, since such low or non-existent leverage of export earnings on aggregate demand is a standard symptom of mineral exporting economies of “enclave” structure. Casual inspection of Table 9.4 indicates that import demand during the 1960s and 1970s moved in line with the volume of phosphate exports rather than the revenue from exports, suggesting that it was the wage and salary bill associated with phosphate extraction and export which “drove” the cash economy, while the sharply increased profits of the period 1966-1979 accrued as rents to the British Phosphate Commission and the Government. During the last few years before Independence, those rents were paid into the so-called Revenue Equalisation Reserve Fund (RERF) which had an investment portfolio of over \$80 million by the time phosphate was finally exhausted in 1979.

Also worthy of note is the time profile of phosphate extraction, characterised by a steady build-up of extraction rates (apart from a slight drop in 1976-79) up to the point where operations abruptly terminated. While this may well have corresponded to the most “efficient” extraction pattern from the point of view of profit maximisation by the Phosphate Commission, it is worth noting the contrast with Nauru where the winding down of operations is taking place over an extended period of time, spinning out the remaining reserves in order to ease the transition to the post-phosphate era. No such strategy was contemplated in Kiribati, with the result that both the economic and political orders suffered a dramatic “cold turkey” transition in 1980, as exhaustion of the phosphate coincided with Independence from the United Kingdom.

TABLE 9.4

Kiribati Foreign Trade Data, 1923-1983  
Annual averages, 1982 Australian \$000

| Period    | Exports | Imports | Trade Balance | Phosphate<br>exports: 000 tons |
|-----------|---------|---------|---------------|--------------------------------|
| 1923-1937 | 8,164   | 3,196   | 4,968         | 221                            |
| 1951-55   | 9,845   | 7,571   | 2,274         | 284                            |
| 1956-60   | 9,810   | 10,213  | 403           | 310                            |
| 1961-65   | 10,199  | 13,190  | 2,991         | 331                            |
| 1966-70   | 23,385  | 15,048  | 8,337         | 480                            |
| 1971-75   | 37,219  | 16,795  | 20,424        | 584                            |
| 1976-79   | 30,732  | 18,796  | 11,936        | 575                            |
| 1980-83   | 3,446   | 18,599  | 15,153        | 0                              |

Table 9.5 shows how this transition affected the balance of payments. The last years of the phosphate era were characterised by a strong trade balance and current account balance, with very little activity on capital account and a rapid build-up of reserves (mainly the RERF). The first three post-phosphate years saw the trade balance nose-dive, with current account



surpluses eliminated and overseas reserves protected only by a brief surge of capital inflow in 1980-81 and a doubling of grant aid receipts (which covered US\$13 million of the \$15.5 million of current account transfers in 1982; the remainder was migrant labour remittances).

It is immediately obvious that what saved the Kiribati domestic economy from the need for truly drastic adjustment in 1980 was the “enclave” character of the phosphate sector during its last fifteen years. Living standards and the level of aggregate demand (hence import demand) had been unrelated to the level of export earnings from phosphate, and consequently the elimination of phosphate earnings did not fall directly upon living standards, but rather was absorbed as a fall in government revenue. By the end of the 1970s, when imports were around US\$17 million annually, the economy's income from non phosphate sources (copra exports, investment income on the RERF, philatelic sales, labour remittances, and grant aid) had risen to about \$13 million, leaving only \$4 million of imports to be covered from phosphate earnings. Of this, possibly \$1 million corresponded to the imported requirements for operating the phosphate works<sup>1</sup>, so that on the basis of the late 1970s data, the “gap” which had to be filled from increased aid inflows (if local living standards were not to fall) was of the order of only \$3 million p.a. In the event, imports were held steady in real terms through 1980 and 1981, and then fell sharply in 1982 (cf Figure 5.3) as inflation cut into the purchasing power of the economy's foreign exchange budget.

The present position is that Kiribati living standards in terms of importable goods and services now depend directly upon the annual volume of aid inflow; this will remain true for the foreseeable future unless a migration outlet for Kiribati labour is found to supplement the present limited opportunities for offshore employment on ships and on Nauru. Reference to Table 9.1 above shows that, in sharp contrast to the three New Zealand associated territories (Niue, Cook Islands and Tokelau) the divergence between de facto (Kiribati resident) and de jure (including overseas resident) population is only about 2,000 or perhaps 4-5% of the Kiribati population. It is this tightly constrained migration position which commits Kiribati to the strategy outlined in the Development Plans, of attempting to “provide for the economic development of the nation after the end of phosphate mining on Banaba”<sup>2</sup>, by means of onshore (including the EEZ) resource development. As the latest Plan recognises, however, (with the agreement of virtually all observers) such independence on the basis of the present resource endowment and migration position is attainable only at living standards substantially below those now prevailing, especially on the cash oriented island of Tarawa.

National accounts data prepared by the Planning Office (Table 9.6) show the same pattern from a different statistical angle. In 1978 Gross National Expenditure (the total of Government and private final consumption, plus gross fixed capital formation) was 91% of Gross Domestic Product. Two years later in 1980, Gross National Expenditure was 174% of GDP. Expenditure on both consumption and investment held steady, while per capita GDP fell from US\$737 to US\$398 (a fall of nearly half). This divorce between domestic product and national expenditure is the hallmark of two extreme types of economies: mineral export enclave economies (in which product exceeds expenditure) and MIRAB societies (in which expenditure exceeds product). In making the transition from one to the other in a single leap, Kiribati passed through probably the most abrupt and potentially traumatic jump in the world during the past decade or so – bearing in mind that in addition to the end of the phosphate era, Kiribati experienced, along with other oil importing nations, the impact of the two oil shocks of 1975 and 1979.

TABLE 9.5

Balance of Payments Data: Phosphate and Post Phosphate  
Millions of US Dollars, at Current Prices

| Year | Exports<br>FOB | Imports<br>CDB | Services <sup>a</sup> | Transfers | Current<br>account | Capital<br>account | Balance<br>(change<br>in<br>reserves<br>) |
|------|----------------|----------------|-----------------------|-----------|--------------------|--------------------|-------------------------------------------|
| 1978 | 25.4           | -16.2          | 4.2                   | 6.7       | 20.1               | 0.3                | 20.4                                      |
| 1979 | 24.7           | -17.4          | 5.1                   | 4.6       | 17                 | 0.3                | 17.3                                      |
| 1980 | 3.2            | -19.2          | 5                     | 8.8       | -2.2               | 3.5 1              | 0.3                                       |
| 1981 | 4.6            | -23.1          | 3.7                   | 9.5       | -5.3               | 2.2                | -3.1                                      |
| 1982 | 3.0            | -22.4          | 5.0                   | 15.5      | 1.1                | 0.4                | 0.7                                       |

a. .Net including philatelic sales.

Source: Asian Development Bank (1983) p.41.

An important lesson of the Kiribati experience is the resilience of the small South Pacific economies under the impact of macro economic shocks which would demolish an economy such as that of New Zealand. Because of the large proportion of GDP (now around 40%) accounted for by agriculture and fisheries broadly, the village mode of production together with the dominant role in the cash economy of Government (over half of GDP), the system is cushioned from swings in export production, at least in the short term, so long as Government is able to finance its budget deficits. It is also worth emphasising that even with the tight restrictions on out migration imposed by the lack of access to other countries' labour markets (Nauru being the sole exception), remittances from migrant workers are more or less on a par with post phosphate export earnings (US\$2.5 million in 1982 compared with exports of US\$3 million<sup>3</sup>), and it seems likely that far greater returns in terms of real disposable incomes in Kiribati would be gained from overseas labour market penetration than from the current strategy of attempting to boost onshore production in pursuit of "self reliance". The difficulty, of course, is that Kiribati's development strategy is dictated by aid donors, who are willing to finance onshore projects but not to sponsor programmes of offshore labour market penetration.

### 9.3 Consumption

Consumption, in current value terms, continued to increase from 1981 by about 8 percent a year, being especially marked for some foodstuffs and durable goods such as motorcycles. However, the best index of importing and whether I Kiribati are moving towards a "consumption society" is revealed in the data on volume of imports.<sup>4</sup> These show that over the period of 1970-1981 there was a drop in the import of diesel fuel, little change in many foods, a slight increase in flour and canned meat, and a moderate increase in volume of beer and sugar, tea, fresh and frozen meat.<sup>5</sup>

TABLE 9.6

Expenditure on Gross Domestic Product, 1977-1982  
(At Current Market Prices)  
(A\$'000)

|                                   | 1977   | 1978   | 1979   | 1980   | 1981   | 1982   |
|-----------------------------------|--------|--------|--------|--------|--------|--------|
| Government Final Consumption      | 9,440  | 7,639  | 7,900  | 7,600  | 8,209  | 8,996  |
| Private Final Consumption         | 17,115 | 20,196 | 20,996 | 19,396 | 20,986 | 22,707 |
| Gross Capital Formation           | 2,252  | 8,150  | 8,191  | 9,183  | 10,377 | 11,726 |
| Exports of Goods and Services     | 19,286 | 21,619 | 21,203 | 2,435  | 3,000  | 3,500  |
| Less: Imports of Goods & Services | 13,150 | 18,212 | 20,000 | 17,800 | 19,580 | 21,550 |
| Gross Domestic Product            | 34,943 | 39,392 | 38,290 | 20,814 | 22,992 | 25,379 |
| GDP per capita (US\$)             | 700    | 786    | 737    | 398    | 434    | 436    |

Source: Planning Office, Ministry of Finance  
(Reproduced from ABD (1982)).

There was a large increase in imports of tobacco and cigarettes and the volume of rice tripled. Government consumption also increased in 1981 and 1982, reflecting the growth of salaries and expenses.

#### 9.4 Development Strategy

The period of the late 1960s and 1970s was a time of intensified planning and rapid expansion of infrastructure in the period of decolonisation. Over the course of four development plans the emphasis has been on (i) creating new and more diversified sources of production, (ii) improving the income earning capacity of the country, (iii) attempting to achieve balanced regional growth, and (iv) effecting major improvements in education and manpower training to provide skilled people. Even more important than the economic, social and political preparations that had to be made for Independence in 1979 were (v) the steps required to compensate where possible for the end of earnings from phosphate, when mining ceased on Banaba (Ocean Island) in the same year. This latter consideration led to setting up the Revenue Equalisation Reserve Fund which involved a portfolio of substantial overseas investments from the phosphate royalties (see below) to offset the huge loss of foreign exchange and Government tax revenue.

#### 9.5 Diversification of Exports

It has been exceptionally difficult to achieve progress on diversifying the production base in ways capable of achieving greater self reliance. Some exports, such as handicrafts, have made little if any progress, and are insignificant. However, philatelic sales, increasingly since 1978, and fishing since 1979-80 have grown steadily and promise to broaden the export base. The major crop in the country, coconut, with its export of copra, has experienced its characteristic sharp fluctuations in output, responding to changes in world

price, rainfall and several other factors and overall copra exports have increased only slightly over the last 12 years (Table 9.7).

## 9.6 Incomes

It is difficult to estimate whether there have been rises or falls in rural incomes over the last 10 or 12 years. In 1972-73 the Victoria University of Wellington Rural Socio Economic Survey (RSES) suggested mean incomes per household of \$146-424, based on detailed work on three islands. However, after the early success of family planning after 1973 the programme slackened<sup>6</sup> and population growth spurted away to create greater pressure on resources. At the same time the expansion of the local public service slowed down (it is now about to contract), and the prospects for overseas employment fell sharply.

The ending of phosphate mining, of course, meant a sharp reduction in wage employment in Kiribati. In 1977/78 the British Phosphate Commissioners employed 350 I Kiribati and 164 expatriates a total of 514.<sup>7</sup> Where these workers went after the ending of mining is not clear although the assumption in the Fifth Plan that 500 of them left Kiribati<sup>8</sup> seems highly improbable. Since Government employment did not expand to compensate, there was an increase of unemployment pressure in the Kiribati cash economy in the early 1980s,<sup>9</sup> and this had the dual effect of encouraging some decentralisation of the economy (as people unable to find work on Tarawa returned to their home islands) and of reducing real disposable incomes (which the Fifth Plan estimates to have fallen, on average, by 6% 1980-1982).<sup>10</sup> The Plan estimates, on the basis of a provisional set of national income accounts, that real per capita incomes declined from A\$349 to \$347 between 1980 and 1982, and that rural cash incomes fell even more. They are, however, likely to be higher than the (corrected) figures of A\$112 suggested by ADB 1983 (Appendix 1).

Although the availability of basic subsistence foods and the continuing strength of the subsistence economy are not in doubt, the decline in the general living conditions of the great majority is a matter of considerable concern. Even more serious is the suggestion that malnutrition might have increased from the levels (already serious) of 25-33% which are often quoted. At the national level the Kiribati Government is in no doubt as to its most fundamental task the economic survival and viability of the country.

TABLE 9.7

Kiribati Copra Production and Exports: Tons  
Annual Average

| <u>- Production -</u> |              |             |       |         |
|-----------------------|--------------|-------------|-------|---------|
| Period                | Smallholders | Plantations | Total | Exports |
| 1923-1929             |              |             |       | 4,720   |
| 1930-1937             |              |             |       | 6,321   |
| 1943-1946             |              |             |       | 1,606   |
| 1947-1952             |              |             |       | 6,195   |
| 1953-1959             | 5,485        | 2,033       | 7,518 | 7,499   |
| 1960-1969             | 5,867        | 2,093       | 7,960 | 8,072   |
| 1970-1974             | 6,411        | 2,133       | 8,544 | 8,411   |
| 1975-1979             | 6,070        | 1,798       | 7,868 | 7,868   |
| 1980-1983             | 7,504        | 1,404       | 8,908 | 8,909   |

Sources: Gilbert and Ellice Colony Annual Reports; Geddes et al (n.d.) Table 6.2; Asian Development Bank (1983) Appendix 4; 1983 data from Planning Office, Tarawa.

### 9.7 Priorities of Fifth Development Plan

The Fifth Development Plan recommended a multiple strategy based on the principle of self reliance. It identified six major policy areas of the highest priority:

- (i) Maximising the return from existing resources e.g. fisheries, copra and tourism.
- (ii) Establishing new foreign exchange earning enterprises, especially those aimed at exploiting the resources of the sea.
- (iii) Exploiting all possible schemes for import substitution (goods, energy, services, people).
- (iv) Promoting the development of the Line and Phoenix Islands, in particular the resources of Christmas Island.
- (v) Restraining the rate of growth of public and personal consumption.
- (vi) Continued accumulation and careful management of the remaining phosphate revenue (in the RERF).

To these should be added as top priority the re introduction of a family planning campaign. Of the above, (v) has been put into effect. With respect to (i) and (ii), tuna fishing and licencing of overseas vessels offer some prospects for growth (see 9.14 below).

## 9.8 Employment

The great majority of the population derives its livelihood from the subsistence sector. Probably nearly two thirds of the economically active labour force is however, better considered as economically “transitional” between the subsistence and wage working sectors, being “part peasant” and “part proletarian” in character, for many adult men have engaged in circular migration to work for a year or two on the phosphate islands, on Tarawa, on colony ships, Line Island plantations or some other form of off island employment before returning to their home villages (Watters and Baribati 1978).

The 1978 Census classified 6,432 people with recorded jobs. Only 13.4% of the total population in that year were in formal employment and since then unemployment has grown. On present trends it seems likely that at least 85 or 90% of I Kiribati are destined for a largely subsistence livelihood in the village environment.

Wage employment is dominated by the public sector, which employs 80 percent of the total, almost all of whom are located on South Tarawa. With the inflow of aid in the 1970s and preparation for Independence, the public service grew at a rate of 7% a year and created rather unrealistic attitudes of dependence on government and excessive bureaucracy. Many other forms of employment outside the public service are mission based, so that the private sector is very small and weak. Essentially, it is oriented towards servicing; manufacturing employs less than 3 percent of the paid work force (20 small firms). On a typical outer island, with a population of around 2000, no more than 100 persons would be permanently employed.

In 1984 about 1000 young men who have passed through the Tarawa Marine Training School (widely believed to be the best in the whole Pacific region) have employment on overseas vessels. About 400 men are employed on Nauru. Ullrich Aluminium of Auckland employ two men in their aluminium factory for 6 months at a time under a special scheme. This leaves a substantial number of people in Kiribati, including some skilled professionals, unable to find employment.

Government employment policy for unskilled labour is based on a revolving basis for each outer island. Thus people employed for such work as cleaners, night watchmen and drivers receive only a three year contract, and cannot be re employed. About 25-40 employees come from each outer island, ensuring a fair distribution of jobs. In all, 563 people are employed on contract work (147 for the Nauru Phosphate Commission, 270 at the Marine Training School and 43 for the police). Manpower planning in theory should enable Government to draw up a national plan identifying key skills and appropriate manpower needed for the country's future development. But apart from a few departments, submissions have not come in and others make quite unrealistic requests (such as the claim by the Abamakoro Trading Corporation that they need 25 accountants!) The reality, of course, in the current world recession and post phosphate era, is that Kiribati must cut down, not expand, the number of civil service positions. Following Henderson's 1983 preliminary report, all vacant posts have been frozen and an UNDAT team (including some local members) will shortly study how the public service can be trimmed back and functions rationalised.

Only two or three unions exist, with BKTAM representing mostly unskilled workers, the Public Employees Association (EA) government workers, and the Seamen's Union men on ships. But the unions are not very strong. Only one serious strike has occurred, in 1981 when BKTAM challenged the government in seeking a wage rise. Eventually they were granted a rise but as trouble persisted 400 workers were dismissed. This appears to have prevented the development of union militancy. The last wage increase was two to three years ago and while the disparity between urban wages and rural earnings still appears to be great, the widening wage dualism of the early 1970s may have been arrested by the recession and much higher copra prices.

## 9.9 Balanced Development

The externally inspired development thrust of the 1960s and 1970s has made South Tarawa the economic heart of the nation. There public sector employment, higher wages, superior amenities such as education and the attractions of urban life are concentrated, in contrast to the outer islands which are characterised by low and stagnant incomes, a lack of employment and modern amenities, and decreasing land availability. Thus a characteristic situation of growing regional economic disparities has emerged, reflecting an uneven pattern of spatial development, and accordingly population has migrated increasingly in from the outer “periphery” to the favoured “core” of South Tarawa. By 1982 it was estimated that South Tarawa had a population of about 20,000 or one third of the national population (Table 9.8).

TABLE 9.8

| <u>The Pattern of Centralisation in Kiribati</u> |                                               |
|--------------------------------------------------|-----------------------------------------------|
| <u>Census</u>                                    | <u>% of Total Population living in Tarawa</u> |
| 1963                                             | 12                                            |
| 1968                                             | 20                                            |
| 1973                                             | 28                                            |
| 1978                                             | 32                                            |
| 1982 <sup>a</sup>                                | 33                                            |

a. Estimated, Fifth Development Plan

The inequities and potential dangers of this trend to overurbanisation and over centralisation have earlier been recognised (Watters and Banibati, 1978). “Development” has taken the form of the creation of a relatively very large, very expensive bureaucracy, which is largely unproductive in an economic sense but which has led to the emergence of a consumer society requiring massive imports, especially of nutritionally sub standard foods. Problems of sanitation, congestion, refuse disposal, pollution on the over crowded atoll, as well as drunkenness and crime became serious in the 1970s. The artificial escalation of incomes and prices on Tarawa distorted the whole economy and had the effect of under cutting real rural incomes or wages. There was a growing sense of deprivation in the outer islands in contrast to the conspicuous superiority of living standards and amenities on Tarawa (per capita incomes are many times higher on South Tarawa).

During the 1970s realisation of these unfortunate consequences was heightened, emphasised perhaps by the cholera epidemic of 1978. Renewed efforts have been made by Government to stimulate outer island development by various projects and the Government programme of decentralisation that has given greater autonomy to island councils. The current world recession, the end of Banaba phosphate and the current review of the size and functions of the public service appear likely to rectify the situation a little in reducing the advantages of South Tarawa. The impression, from a visit to Kiribati in 1984 after an absence of 12 years, was that South Tarawa has been as much “ruralised” as “urbanised” in the interval, in view of the style of living of many of the incoming migrants, and the departure of so many expatriates. A great deal remains to be done however, and a battery of policies both at the macro level and micro levels are needed both to enhance in relative terms the attractions of outer island living, to reduce wage dualism, to encourage import substitution, to increase the costs (and hence lessen the benefits) of urban living and to bring effective town planning policies into operation.

Moreover, as the Decentralisation Report pointed out, the main objectives of rural development in the past have been misguided. Rather than being directed at building non productive infrastructure or promoting market production which has little value to people who are more concerned about where their immediate food supplies are likely to come from, it should be aimed primarily at assisting a greater rural population than ever before to obtain a regular, balanced subsistence diet.<sup>11</sup>

#### 9.10 The Copra Industry

The pattern of Kiribati copra production, over the last 12 years displays the usual great fluctuations from year to year, reflecting a host of factors, but especially the copra price and rainfall. Over the whole period, production is almost stagnant, but shows a slight upward trend. On a per capita basis however a decline has occurred.

Copra does remain however one of the major exports of the country and the great importance of the coconut palm, both as a major subsistence food and for its many other uses, means that very high priority should be placed on ensuring that young bearing palms are planted to take over from old, senile palms, 50 years old or more, that are declining in yield or going out of production. Although data on the age structure or bearing/non bearing ratio of coconut palms of all the islands in the group are generally lacking, there is little doubt that a high percentage of palms throughout the islands are not bearing. Thus in 1972 (when two years of drought may have exacerbated the situation), nearly 56 percent of all palms on Abemama were estimated to be non bearing (Watters and Banibati, 1984: 46), with new plantings not exceeding senile palms. Moreover, the usual impression of tiny, densely populated islands being totally covered in coconut palms is not true: Abemama (though less intensively utilised than most islands) had only 55 percent of its total area in coconut palms and 36 percent was scrub covered. A considerable percentage of the coconut area on many islands represents replanting done with American compensation payments following the wartime palm destruction. Currently, these stands are about 35-40 years old and in another decade their production can be expected to diminish (Team Report: 62-64). There is no doubt that the Government sponsored Coconut Replanting Campaign that began in 1970 and ceased in 1983 with the withdrawal of British aid money, was greatly needed.



Over the 13 years that it ran, the Coconut Subsidy Scheme planted a total of only 272 ha., or 8.9% of the area of the Gilberts, in 488 completed and some uncompleted schemes. A number of studies have indicated why the scheme achieved such limited success, in spite of the payment of \$90 per acre. The Coconut Replanting and Improvement Schemes were always essentially Government rather than truly island schemes. They were seldom fully explained to the people or adjusted to island requirements. The schemes were based on erroneous assumptions about the different islands, their social organisation, the meaning of land, how land and palms were viewed and used, and how work was performed. At first landowners suspected that Government was using the scheme as a front for taking over their lands<sup>12</sup>. Especially in the early years, the minimum area required for registration in the scheme was unrealistically large. The basic data used for projections of the copra output were faulty and it was not realised that on some islands a hardpan provided a formidable obstacle in digging holes for replanting. Inadequate notice was taken of local views that it is wasteful to chop down coconut trees and little appreciation was evident of the number of utu (clan) members who also share access to lands, even though they are individually owned. Since the people did not become greatly involved in the schemes they would spend much of their productive time working on their other lands. Trewren has suggested that in fact people entered only their worst, and most marginal, lands into the schemes, which explains why the new palms planted have proved to be little or no better than the palms they replaced.<sup>13</sup> Many of the practical factors involved in the limited success of the campaign were documented by the Director of Agriculture in the 1970s, Bob Bryden, and recorded in Trewren (1984).

The scheme was based erroneously on the cash motivation provided by the subsidy rather than inviting the people to think about replanting in ways meaningful to them. The scheme was inflexible and was imposed from above.

Yet the achievements of the scheme should not be ignored, due to the strenuous efforts of an efficient Department and their determination to persist in spite of many difficulties. It is possible that if the lessons of this earlier campaign can be thoroughly learnt and a new campaign designed to fit local conditions, to involve the people meaningfully, and to avoid the earlier pitfalls, a new scheme could be much more successful and proceed at a faster pace. Commonly, however, new projects ignore the lessons of the past. Certainly the need for a relaunching of coconut replanting on a national scale is of high priority; it is believed that Government is inviting Australia to undertake this project.

#### 9.11 Low Nutrient Status of Soils

Recently a scientific finding of great importance has been made by Trewren and associates, building on international scientific research (Trewren (1983) Tables 6-8). The results of leaf analysis showed that a nutritional problem of very serious magnitude exists in Kiribati soils: the levels of no less than five nutrients (nitrogen, potassium, iron, manganese and zinc) are believed to be the lowest anywhere recorded. It appears that coconut palms in Kiribati have adapted to a most surprising degree to extremely low levels of some trace elements (especially manganese and copper). Although the natural nutritional status of the soils is thought to be very low, the problem is thought to be aggravated by the common practice of burning of undergrowth and fallen fronds, the use of husks as fuel, and the low rainfall of some islands. It appears the nutritional problem is not so severe in Tuvalu, where higher

rainfall leads usually to the accumulation of more organic material, and burning of debris is not usually practised.

Trewren has suggested a drastic redesign of the replanting scheme incorporating a number of new agronomic practices (the socio cultural defects mentioned above have not been addressed) and planning to replant a total of 200 hectares per annum. The plan in particular, involves heavy dressings with artificial fertilisers for a period of up to eight years after planting. The cost of fertilising the estimate half of the existing schemes that are suitable is in the region of A\$2.8 million over an eight year period. The total cost of fertilisers for completion of the existing programme plus a further four year phase of replanting is expected to be A\$4.3 million over an 11 year period. Of this, \$1.38 million would be needed over the 1983-86 period.

The actual production of nuts on palms is of course extremely important, but the Rural Socio Economic Survey showed that on four Kiribati and one Tuvalu islands, there was considerable potential for increasing production from existing palms. The main cause of low copra production was the low motivation to actually pick up the fallen nuts and then to turn them into dried copra. The high yields of the record year 1974 (and again in 1981) compared to the years of 1972 and 1973 when the price was only an average of 2.08 and 2.67/lb is illuminating. In 1974 the price doubled to 5.49 and in 1981 it was 11.75 lb.<sup>14</sup> It is clearly important for the Copra Society to maintain a sufficiently large reserve fund to subsidise the price in years when the international price is low, in order to offer a reasonable and stable price to maintain grower interest. In years when the price is especially high, reserves can be built up.<sup>15</sup>

Secondly, it is important that marketing points be numerous and of easy access on all islands. Incentive to cut copra is also affected by transport from the groves to the growers house and marketing point. Thus the numbers of bicycles and hand carts (pulled as trailers behind bicycles) on outer islands makes transport of copra easier and less time consuming. On larger islands the availability of tractors, trailers or boats would be a great assistance.

In a recent paper, Pollard<sup>16</sup> has provided qualified support for Trewren's call for a renewed coconut replanting campaign. He points out that many factors are involved in increasing copra production, apart from achieving greater nut availability. Another policy that would increase grower interest in copra would be a lowering of the internal freight rates on Kiribati Shipping Corporation's vessels. Internal seafreight can amount to over 40 percent of the total cost of shipping copra from the outer islands to the port of milling (pollard, 1984: 2). In the absence of a computer, it was impossible to fully analyse rates of return, and the effects of lower yields, copra prices, levels of replanting and higher costs of implementation, but Pollard concluded that a replanting programme is marginally economic if a market for coconut timber exists, and highly profitable if a market for Millionaire's Salad is created. "The programme is also very important socially and developmentally and should therefore be implemented" (Pollard, 1984).

Clearly, an effective coconut programme involves a battery of consistent policies on a number of fronts: keeping freight rates to moderate levels, stabilising prices to a reasonable level to maintain confidence, improving transport on outer islands, a replanting programme accompanied by fertilisation. In view of the enormous cost involved in Trewren's proposal, it

is likely that a limitation of fertiliser application to lands close to villages (which are more intensively worked than distant lands) would initially be a worthwhile modification.

#### 9.12 Coconut Timber Project

The New Zealand funded Coconut Timber Project has demonstrated the potential economic value of coconut timber – a much misunderstood and undervalued timber. In two years of experimental milling a semi permanent mill first on Nonouti and later on Abemama produced 305m of sawn timber, with 217m delivered to Tarawa. The New Zealand sawmiller states that the Gatman Varteg sawmill proved to be a basically sound machine, although on this especially tough timber, tungsten carbide insert teeth on the saws are more successful and last longer. Chainsaws have a serviceable life of only about one year. Given the several weeks needed to assemble the portable mill and inter island shipping holdups, it is estimated that a realistic target for annual production is about 600m on a one shift basis.

The major disappointment of the project to date has been the failure of the Government to develop an effective marketing strategy. Large stacks of sawn timber have piled up and little has been done to encourage sales to local end users. It is widely believed that the timber is unsuitable for many forms of construction, is too hard to work with hand tools, or is inferior to various imported timber. As the Timber Industry Review points out, it is only fair to compare the various grades of coconut timber with the appropriate alternative varieties of timbers currently imported.

However, up to the end of 1983 only 90m of the sawn timber available had been utilised (mostly on Nonouti). Although a positive attitude to the timber is generally held in all sections of Government (the Office of the Minister of Natural Resources demonstrates superbly the attractive qualities of the wood), there has been much opposition or scepticism among potential end users, including major government departments. An absence of “reliable, consistent and fully explanatory information” about the product has meant that uncertainties have persisted. Although the Government in fact issued directives to various departments to use coconut timber forthwith and to cease indenting overseas supplies of comparable timbers, this has not been carried out.

Additional causes for the waste of much sawn timber was poor stacking and inadequate shelter, which led to warping, sweating and decay. The total value of imported timber increased steadily over recent years to reach A\$358,000 in 1981. In 1981 terms the use of the normal annual output of coconut timber estimated at 600m, would save approximately \$200,000 - or 45 percent of current timber requirements. In the longer term, if effective promotion is carried out, coconut wood could substitute for up to 80 percent of imported timber. Ultimately, with overseas promotion, exports might be conceivable. Thus, the whole project is one of national significance and it is important to continue the venture, concentrating on effective marketing and making potential end users much more familiar with its qualities and price advantages.

While milling operations appear to have been successful on Nonouti and Abemama, it is important that the felling of senile palms be done evenly throughout the lands of all villages on an island. Thus on Abemama, palms from only the northern half of the island had been

felled and villages in the southern half were rather upset that they could not be involved in the scheme.

The whole milling project should be seen as part of an overall coconut replanting scheme, with timber milled being senile palms declining in yield that need to be replaced by new plantings. Thus any design of a new (and hopefully radically replanned) coconut replanting campaign should build in the coconut timber milling as one important component (though self contained) of the whole campaign.

### 9.13 Fisheries

Very little is known about the available resource volume of tuna species in Kiribati waters. The SPC tagging programme of skipjack lead by Dr R Kearney suggested that about 28,000 tonnes per year might be available. The Te Mautari Corporate Plan (January 1984) believes however, that the potential skipjack catch is far in excess of 30,000 tonnes per year, since the Japanese pole and line fleet have caught up to 30,000, (mostly in the Phoenix when fishing only 9 months in the year) and average sightings of skipjack schools is double the average of 0.77 schools per hour of other areas of the South and West Pacific. In 1978 the Japanese catch alone in the Kiribati area was worth over \$15 million (which compares with phosphate exports in that year of \$19 million).

The Corporate Plan estimates that the available yellowfin catch is over 10,000 tonnes per year, and bigeye in excess of 6,000 tonnes per year. The total for all species of tuna is thought to exceed 50,000 tonnes and there is no apparent seasonality, since Kiribati straddles the equator.

In 1981 the Government founded Te Mautari Ltd (TML) as the national fishing company. It is a private company whose major shareholder is the Kiribati Government. At present the world tuna market is depressed and price is consequently low. However, the local catch rate is believed to be one of the highest in the Pacific and twice that of the Solomons. Moreover, the local fat content of the fish in Kiribati waters is slightly better than usual.

In the initial period, before a country can acquire tuna vessels to engage in fishing on its own, it is logical to earn revenue by licencing foreign vessels to fish in its EEZ. In the first period of 1979 81, Kiribati granted access to Japan for \$600,000. Kiribati sought advice from New Zealand as to the appropriate licence fees that should be charged, and after a bitter dispute with Japan, a fisheries agreement was signed, with Japan paying \$950,000. Kiribati also signed an access agreement with South Korea for the 1978 80 period. By 1983 income from licence fees had become considerable, rising from A\$259,000 in 1978 to about \$1 million in 1980 to A\$1,500,000 in 1982 (1979 82 Development Plan). Japan had already provided considerable aid in building up the tuna fishing fleet. The first vessel, funded by Britain, was built in Japan and the next three vessels were provided by Japan.

At present Kiribati has four vessels ranging from 20 to 120 gross tons. Although tuna vessels range from 20 to 500 tons, the lower range is preferred for Kiribati conditions, with a pole and line vessel about 59 tons judged to have the best potential. Three of the vessels have onboard freezing facilities and the fourth holds its catch in chilled sea water. Since Kiribati wishes to develop its own tuna fishing fleet rather than rely indefinitely on licence fees, the

current plans are to expand the number of vessels up to eight the maximum the bait stocks are likely to sustain. An entry into purse seining is planned as soon as practicable, but vessels cost between \$2 and \$12 million. Funds for acquiring these vessels are to be sought from direct aid, soft loan or commercial loan. If aid is not available, second hand vessels would be acquired.

Fleet development is however constrained by lack of shore facilities. In particular, the lack of a jetty, of cool storage space, and possible bait limitations mean that plans to expand the fleet will be balanced by improvement of shore facilities. A jetty that will cost \$4.5 million is planned for 1986. The capital costs of adding new vessels to the fleet is A\$3,600,00. Operating costs rise from a four vessel fleet in 1984 at \$2,060,852 to an eight vessel fleet in 1988 at \$4,475,204. Localisation of the crew (at present 97 percent I Kiribati) will be 100 percent complete by 1986, with training at the Tarawa Technical Institute supplemented by some further training overseas. It is planned to develop the shore facilities at once and to move to a six boat fleet in 1986. Following 18 months assessment, if the supplies of wild bait sustain the increase, the fleet will be increased to eight boats by 1988. While wild bait is preferred, the milkfish ponds provide currently 25 tons per year while TML's requirements are 33 tons. The volume of exports, it is hoped, will rise from about 2450 tons in 1984 to 7000 tons in 1988. Lack of fresh water precludes any development into canning or freezing. There are the possibilities however, of diversifying into smoking, or drying. It is calculated that the internal rate of return is 16 percent from the net cash flow on the capital investment proposed.

It is difficult to say at present whether the projections of the Corporate Plan 1984 88 are unduly optimistic. It is however, a clearly thought out policy statement with precise goals. It would appear that the waters of Kiribati are a good deal more promising than those of Tuvalu. It has yet to be seen however, if Kiribati can raise the substantial loans required on favourable terms.

#### 9.14 Artisanal Fishing

This is developing rapidly on South Tarawa.<sup>17</sup> In 1982 an estimated 2800 tons of fish were landed; but in 1984 it is estimated to have grown to about 4000 tons. It is indeed fortunate that the densely concentrated population of Tarawa has easy access to one of the richest lagoons for fishing in the country. There is a need for a small shed on South Tarawa for the sale of fish.

Although plans existed 12 years ago to encourage wind tunnel drying of fish on Abemama (an island with a productive lagoon) for sale to Tarawa and Nauru, nothing has changed.

#### 9.15 Shipping

On the outer islands the development of artisanal fisheries is proceeding only slowly. While some Government Officers believed the internal shipping service was good, since the sale of the old Tautuna and Le Maori in 1983, there have been fewer vessels available. The Moanaraoi calls at the central and southern islands often en route to Funafuti and Suva, and the main inter island service is performed by the Nei Momi. A new vessel for the

Government fleet is expected soon. Two very small privately owned vessels also service the northern islands. Fisheries officers believed that the infrequent shipping service was hampering their efforts to encourage the marketing of dried fish, sharks fin and other marine products.

#### 9.16 The Cooperative Movement

The cooperative movement is very important in Kiribati as the main retail outlet, the main copra marketing agency, and the principal wholesaler for most goods. As it is ultimately controlled by its members, it represents popular participation in the market sector where growth in market sales or copra purchases is reflected in increased dividends to members. It is also the major vehicle for training local people in business management, in book keeping, accounting and other valued skills. In the early 1970s after several years of sustained effort and effective leadership by senior Kiribati officers and a few experienced expatriates, the cooperative movement appeared to be reasonably strong and in a sound economic state on many of the islands. Although it was too early to be completely confident, there were grounds for hope that over the next decade or so the principles of cooperation would be widely assimilated and localisation of staff would be completed. Unfortunately, the situation in 1984 is worrying, with many societies on outer islands in poor shape, with many instances of malpractice occurring, and the former healthy profits have now often become quite marginal.

It appears that with Independence, localisation might have proceeded rather too rapidly and some of the former cardinal principles of management were overlooked. Thus, Managers or Auditors were posted to their home islands rather than to other islands where the absence of relatives would remove the pressures to issue secret credit, or to write off unpaid debts etc. Thus the Society collapsed on Butaritari, disputes became common, and since the societies on Abaiang, Marakei and Tabiteuea South couldn't agree as to the composition of their committees, the Kiribati Cooperative Wholesale Society (KCWS) has provided Managers to run them. This situation is another instance of failure to observe "tried and true" methods and the continuity necessary for the socio cultural situation of Kiribati, so that newcomers have to "reinvent the wheel" again every few years, in returning to basic principles. The cooperative movement, now known as the KCWS also believes that in such a small economy as Kiribati it is a mistake for Government to believe that effective competition can be introduced to promote efficiency. Following the collapse in the late 1970s of the over large Gilbert Islands Development Authority (GIDA) which had amalgamated wholesaling, shipping and public works, these functions again became separate departments. But a firm, Atoll Products, was set up to handle importing, only for it later to go into liquidation. Wholesaling then returned to the old situation in which the cooperatives had in effect monopoly control. At the insistence of one Minister, however, Government regarded the KCWS as "too big an empire" and decided to introduce competition by setting up the Abamakoro Trading Company. Although the Government, through the Loans Board, had invested A\$932,000 in the Cooperatives Federation, it also became a 70 percent shareholder in Abamakoro.

Cooperatives officers complain that in a semi subsistence country of only 60,000 people, the volume of merchandise is too small to warrant two major enterprises. They duplicate unnecessarily a number of functions and split bulk buying between them. There are

additional problems of two organisations trying to compete for limited space on the few inter-island ships. The KCWS complain that the Abamakoro Company goes in only for 15 or 16 fast flowing items and their narrow commercial focus precludes adopting a wider, more socially desirable role. Thus when the Cooperatives had a monopoly and were economically strong, there were some grounds for hope that the trend to create a “consumer society” by purchasing larger and larger quantities of “European foods” that are dietically inferior (sugar, refined rice, flour, biscuits, tinned meat), might be ameliorated somewhat by greater attention to nutritious foods such as milk powder, stocking valuable capital items (e.g. bicycles) and the like. Now both competitors must pursue a narrow, strictly commercial policy. However, at the Annual General Meeting in 1983 the KCWS rejected a proposal to amalgamate with Abamakoro. Currently the KCWS has sales of about A\$7 million annually (two thirds of the total) and Abamakoro about A\$3 million, but the latter appears to be growing at the expense of the former.

It would appear that it would be wise for the Government to undertake a fresh review of the wholesaling and retail field. Much of the analysis providing the basis for a sound policy undoubtedly already lies in the files and such excellent reports of the 1960s and early 1970s as the two Youngjohn reports and the Howarth Report. This is another instance of overlooking the wisdom (often painfully acquired) of a decade or more ago.

Secondly, it is worth reiterating the recommendation of the Rural Socio Economic Survey that the I Kiribati continue to show a dynamic grass roots interest in small business enterprises (mronrons) and island associations on Tarawa that form their own cooperatives (outside the official movement). The continued success of a Nikunau Island cooperative (another collapsed) after the earlier spectacular success of a Tamana cooperative on Betio illustrate this continuing theme. It is logical to provide such spontaneous groups with training in management and business skills rather than to restrict it only to the official cooperative societies; after all it takes no more time to teach 50 people as it does five!

#### 9.17 Telecommunications

Recently the EEC offered Kiribati assistance to introduce a modern system of telecommunications. At Independence the main concern in the country had been to improve the system of internal communications between Tarawa and the outer islands. However, there appears to have been suggestions from Britain and Australia to accept the EEC offer which was on favourable terms for a A\$5 million facility which will be the most modern in the Central West Pacific region. The new technology involves internal communication via satellite with the introduction of a Standard “B” Earth Station due to be commissioned about July 1984. The digital exchanges in three main centres on south Tarawa are due to be inter connected by means of multi channel PCM Multiflex radio links.

The transfer of technology in Kiribati is very dependent on the level of expertise of the local staff. With the introduction of digital exchanges and use of satellites the country becomes dependent on foreign expertise for a good number of years to come. Training of local staff to an intermediate level is done through the Regional Telecommunications Training Centre and Fiji Institute of Technology in Suva. More basic training is carried out at the International Telecommunications Union (ITU) Basic Training Centre in Suva and about 35 staff in the country have passed through the course. This is considered adequate but much more

specialist training in areas like digital techniques and switching, satellite engineering and radio transmission are now considered essential. It will be important to develop the organisation on the maintenance of common systems in use, but heavy reliance for these sophisticated skills on bilateral and multilateral aid is likely to occur for many years. Since the world's first communications satellite Intelsat 1, or Early Bird, was placed in orbit in 1965, the rapid advances in telecommunications technology seem to have been accompanied by a modish mystification process of the perceived benefits and by increasing acceptance of or commitment to the sophisticated technology associated with "modernisation". Much of this process seems to be linked to the promotion of science and technology in advanced countries such as the United States or the countries of the EEC, and agencies such as International Telecommunications Union. The East West Centre publishes jointly with the Pacific Islands News Association the Pacific Islands Communication Journal which is most active in the promotion of telecommunications and other modern communications systems. While sophisticated modern benefits are frequently emphasised and assumptions are continually made about what is good for Pacific Island nations, the journal is conspicuously silent about the relevance and precise economic benefits that the costly innovations are likely to bring. It was sad to note that local officers in Tarawa could not justify or explain precisely just what real benefits the costly new systems would bring. And in the meantime, while the Government favoured making improvements in internal communications between Tarawa and the outer islands by an integration of satellite and terrestrial systems, this seems to have been left aside because of the concentration on international links. While metropolitan powers, international agencies and banking and business interests appear to be the chief promoters, Pacific Island elites are also behind it, as illustrated by the Pacific Islands Prime Ministers' request in 1972 for technical and financial assistance from the ITU, and the charging of SPEC by the Forum in 1973 to assist in the "coordination of the development of Regional telecommunications"<sup>18</sup>. "Coordination of the development" of telecommunications has a strong suggestion of external pressure on small nations to fit in with broader regional or international needs.

Of course, there are some substantial, precise benefits, such as the deployment of the ATS 1 satellite to combat a cholera epidemic in Kiribati, or the University of the South Pacific educational extension services carried out through the satellite.<sup>19</sup> But the strategy, or even the cult of "wiring" little island societies into "planetary culture", of "leap frogging" from a subsistence economy to a modern information era of the post industrial society, of creating an "information economy" in which information becomes the engine of growth not the raw muscle power or energy that had characterised the industrial society may create as many problems as it solves. It certainly raises a number of questions. How does the "information revolution" meet the real needs of the 99 percent of Kiribati people for example, compared to the one percent in finance, business or banking? And while it might be a highly effective strategy for Lee Kuan Yu to use telematics (telecommunications infrastructures and computers) to turn Singapore into a new, dynamic world financial centre, how does it fit in Kiribati conditions where a modern business sector doesn't exist? And the cult associated with the global information and telematic revolution almost inevitably carries with it the danger of ignoring or rejecting all the other small scale, down to earth appropriate technologies of the Schumacher type.



#### 9.18 Christmas Island

In recent years growing attention has been focussed on the potential of Christmas, both as an outlet for surplus population, but more particularly for a number of revenue generating projects. Earlier in the 1970s attention focussed on the possibility of developing copra production on an efficient, Government managed plantation basis, but output has varied markedly. In the last year or two the steady increase in the number of American tourists from Hawaii visiting the island primarily because of its excellent fishing has attracted attention to the need to expand the hotel. Promotion of the island in Honolulu seems to have been successful, and it is interesting to speculate whether the same agent could promote Kiribati millionaire's salad (a luxury food for hotels) as another possible source of income. Air Tungaru, which is losing about \$1.5 million annually on its international flights (the internal air service is said to break even) has reached agreement with New Zealand for landing rights in Rarotonga, enabling flights along the Hawaii Christmas Rarotonga Auckland route. Another attraction for tourists is the bird life, and here it would seem important that the increase in the numbers of visitors needs to be managed in a way that does not conflict with the preservation of this resource; possible establishment of a wildlife sanctuary is being considered.

Another project, funded under New Zealand aid, is solar powered salt production. The experimental work was proceeding well until the heavy floods occasioned by the El Nino climatic oscillation caused a temporary setback to the project. The immediate aim is to provide the local market with all its requirements for salt.

#### 9.19 The “Modernisation” of the Abemana Economy: The Growth of Dependency

If we attempt to view the evolution of the islands' economy over time, what characteristics can be discerned? Studies carried out by the Rural Socio Economic Survey on four islands show clearly enough that the “economy is an accretion of separate, poorly articulated traditional activities: fishing, the collection of coconuts, toddy, gathering fruit such as pandanus, breadfruit and te bero, and babai growing in pits dug down to the fresh water lens. In modern times money earning activities have been grafted on to this loose assemblage through circular migration to places of employment such as the phosphate islands, Tarawa, the Line Islands plantations, or work on ships. A little unskilled labouring may be done from time to time on outer islands such as stevedoring, working for the island council or the Cooperative Society. A major feature of participation in the cash economy is the remittance back to spouses, parents or other close relatives of sizeable sums of money. Indeed, this is now so important in the economy of outer islands as to represent a very substantial part of total island income, and in many cases household income, so that we can talk of the subsidisation of islands by off island earnings. Other local sources of money may be earned from time to time by the sale of dried fish, doughnuts, sweets, sour toddy, bread or other items to supplement the sale of copra, which in years when the copra price is high, might make up to two thirds of the income in some outer islands. In short, detailed study over the course of a year of households' sources of income, of employment histories and of household economic strategies as revealed in the allocation of time, show islanders to be rational opportunists who are very situation bound in their response to conditions, depending often on two, three or four sources of money income as well as a variety of sources of

subsistence income.<sup>20</sup> They are “part peasant”, “part proletarian”, part time traders, partly dependent on remittances from relatives and partly dependent on subsistence gardening, gathering and fishing.

TABLE 9.9

Empirical Indices of Dependence

- 
- |     |                                                                                                                           |                                                                                                                                                              |
|-----|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.  | Decay of subsistence economy                                                                                              | <ul style="list-style-type: none"> <li>- decline babai</li> <li>- loss of traditional skills</li> <li>- fishing</li> <li>- toddy</li> <li>- babai</li> </ul> |
| 2.  | Large % senile palms                                                                                                      |                                                                                                                                                              |
| 3.  | Bypassing traditional socio political structure                                                                           |                                                                                                                                                              |
| 4.  | Rise in money incomes done little to enhance human welfare                                                                |                                                                                                                                                              |
| 5.  | Decline in nutrition                                                                                                      |                                                                                                                                                              |
| 6.  | Educationally and culturally, an uncritical imitation of western standards - verbalistic, non technical school curriculum |                                                                                                                                                              |
| 7.  | Government benevolent paternalism & non involvement of people                                                             |                                                                                                                                                              |
| 8.  | Developing regional disparities (core periphery)                                                                          |                                                                                                                                                              |
| 9.  | Developing class formation                                                                                                |                                                                                                                                                              |
| 10. | Developing elite.                                                                                                         |                                                                                                                                                              |
- 

At the same time, when viewed over time, a number of empirical indices of growing dependency become apparent. These are set out in Table 9.9. There is a slow decay or weakening of the subsistence economy, marked by the abandonment of babai pits and skills of babai cultivation, a loss of traditional skills in fishing, sailing canoes and toddy cutting, and a passing away of valuable traditional home activities based on local ecological conditions. On Abemama, and perhaps in some other islands, there is a large percentage of senile palms and the rate of replanting is low. While there has been a rise in money incomes, this has been accompanied by a growing dependence on the store and imported starches, with all the consequent dependence on world prices, inflation, shipping services, freight rates and other external circumstances which villagers are powerless to control. In short, the acquisition of money incomes has done little to enhance human welfare (except perhaps spending on school fees) and has been accompanied by a decline in nutrition.

At the same time traditional socio political structures and the sanctity of the maneaba (community meeting house) have weakened over time or been by passed and the authority of

elders has declined. New decision making bodies with no legitimacy in traditional terms have emerged. Educationally and culturally, there has been a rather uncritical imitation of western standards, and school curricula notably lack emphasis on practical or technical skills that would be useful for living on outer islands. A pattern of Government evolved in the colonial era in which “Tarawa” was seen as a foreign source of authority, characterised perhaps by policies of benevolent paternalism but also by the non involvement of the people. (There might have been some improvement in this area with Independence). The pronounced and flagrant regional economic disparities between Tarawa (the “core”) and the outer islands (the “periphery”) that existed in the 1950s and 1960s became even greater in the 1970s. Accompanying this changing spatial pattern of the country which reflects fundamental changes in its economic structure is the emergence for the first time of new classes (permanent wage earners, civil servants and technocrats) which ends forever the old equality. And within the newly emerging classes can be identified a new elite, comprising the better educated senior civil servants and politicians who are now the key decision makers and power wielders. However, a close examination might well reveal growing dependence of the new classes and the new elite on overseas ideas, capital, skill or technology. In short, the pattern of “development” reveals, on close examination, a process of breaking down as well as building up and many new forms of dependence emerging.

#### 9.20 Population Policy

A common tendency of countries afflicted by rapid population growth is to search for empty regions to accommodate population overspill, or for “safety valves”. While this is logical enough, it is not always widely appreciated that officially sponsored planned colonisation schemes are frequently enormously expensive (usually much more so than the original projections) and in many cases are either failures, or achieve only a limited degree of success.<sup>21</sup> While planned colonisation might play a part as an adjunct to a coherent population control policy, they can be less than useful if they divert attention away from the central issue.

The central issue in Kiribati is the control of the natural rate of increase and a widely publicised birth control programme in the Gilbert and Ellice Islands from about 1969 to 1973 showed convincingly that considerable success could be achieved without great cost. In this case the central issue was tackled rather than seeking a diversion such as resettlement of the Line Islands. Government gave highest priority to the Family Planning Campaign; a team of dedicated volunteer nurses were trained and an enviable reputation was built for professional competence and effective extension work. The team visited villages in the outer islands in a carefully planned campaign, supported by the media, and concentrating on the use of the loop as the major contraceptive. Over the four year period one third of all eligible women were using a reliable method of contraception and the 1973 census shows that the growth rate had dropped to 1.71 percent. At that point the World Health Organisation took increasing influence over the campaign, which was absorbed into the general Maternal and Child Health Service. The carefully selected, trained and dedicated unit of family planning nurses was disbanded. WHO suggested that receptors should have more options as to technique, including use of deprovera injections and the pill. At the same time, the opposition of the Catholic Church to artificial contraception appeared to have stiffened. The use of deprovera, pill or safe period of the month do not appear to have been effective under Kiribati conditions. By 1978 it appears that only about one eighth of eligible women were

using a reliable method of contraception and the population growth rate had risen again to 2.24 percent. In spite of their experience in population control in other countries the approaches advocated by WHO were not successful in the Gilbert and Ellice. Moreover, their interference was uncalled for when the campaign had fully proven itself. Indeed, any new revived family planning campaign would be well advised to model itself on the successful organisation and techniques of the 1969-73 campaign.<sup>22</sup>

#### 9.21 Resettlement

As suggested this is best viewed as an adjunct to, rather than a substitute for a family planning programme. The possibilities and potential of under exploited areas of land, lagoon and coastal waters in the Line and Phoenix Groups have been discussed by Pitchford (1981) and the Resources Survey Team (1983).

The settlement of the Phoenix Islands (Orona, Manra and Nikumaroro) was undertaken by the Government of the G.E.I.C. in the mid 1930s, and its final abandonment in 1955 is often attributed to the severity of drought and/or the high cost of the scheme. Pitchford (1981) asserts however, that fishing was better there than in the Gilberts and there were adequate supplies of coconuts for subsistence and for making copra. Indeed, he states that the real reason for the abandonment of the settlement had never been committed to paper before: the settlers heard that the Government was acquiring better and larger islands in the Solomons for resettlement and as an official evaluation party appeared over the horizon they deliberately stripped palms of their nuts and polluted the wells to ensure that the visitors recommended their removal to more favoured islands! This indeed is what happened.

An expedition to the Line and Phoenix Groups in 1976 stated that some of appeared to have the most potential. In 1978 a survey team went to Nikumaroro and also confirmed the view that it would have no difficulty in sustaining a resettled community. The 1979-82 Development Plan also identified Caroline Island and proposed that some islands that already had inhabitants Christmas, Fanning and Washington Islands could take additional numbers. The 1983-86 Development Plan repeats the national concern over land shortage, the lack of outlets for population overspill and the possibilities for resettlement.

The Resources Survey Team found that the potential for resettlement of Fanning and Washington is quite limited. The need to replant coconut palms on Fanning is incompatible to some extent with resettlement. They believe that only about 5000 to 6500 settlers could be safely accommodated on these two islands and that any relocation of settlers should be done gradually and cautiously. Even if ecological conditions are as encouraging as they seem (and this warrants further research in depth), the greatest difficulty of all is probably the extreme isolation of the islands from Tarawa, 2000 miles away, and from shipping lanes. At the moment, these islands are visited only about twice a year and the estimated annual production of copra of about 500 tonnes (declining) for Fanning and the high yield of between 500 and 1000 tonnes for Washington are not likely to lead to much incentive for new shipping services given the enormous distances involved.

Some major new inducement, such as opening up a new lucrative market for Millionaire's Salad in Hawaiian hotels, 1500 miles to the north east, is probably needed. The Resources

Survey Team (1983) does, however, provide useful documentation. Further research is probably called for.

#### 9.22 The Future : A Retreat into Subsistence?

Few countries in the Third World face such a grim future. With the loss of 90 percent of its exports, and the likely cessation of British budget support after 1986, it seems inevitable that Kiribati will have little alternative but to retreat into the subsistence economy and the associated traditional practices and culture that are likely to sustain it. It is sadly ironic that so many development projects have achieved so little or have failed abysmally in these remote, tiny fragments of land that lie widely dispersed in the vast Pacific Ocean. This is really scarcely surprising, for it is extremely difficult to achieve economic growth on a coral atoll, so that the main legacy of decades of development is a society that has been shaped by alien influences, nurtured false hopes and unrealistic expectations, and beguiled by spurious prophets to follow often the wrong paths of development (see “The Future of the Gilberts and Tuvalu”, Geddes et al (1982), Chapter 15). In sum, overseas aid has tended to “muck up” Kiribati as well as to weaken the old socio economic structures. But on the whole, British colonialism was benign and paternalistically protective, so that many of the traditional skills, so essential for survival on an atoll, fortunately still survive in sharp contrast to the totally transformed and dependent juke box culture nearby in American Micronesia. The force of the old social pattern often cursed by expatriate innovators might yet reassert itself, enabling the society to survive with dignity and without self pity, though in a state of impoverishment. Aid policies in the future should accept this simple fact and not try to weaken subsistence<sup>23</sup> - as if it is a mere relic of an inferior past - but indeed attempt to strengthen it.

In considering initiatives for the future, three policies stand out as of paramount significance, in addition to the importance of the subsistence economy. A new and radically reorganised coconut replanting campaign is needed both to provide adequate food supplies for a rapidly rising population, and to ensure copra production in the future. In the cash economy, the plan to build a larger fleet of tuna fishing vessels served by the appropriate shore facilities is of great importance, enabling the country to exploit as fully as is currently feasible, its richest current asset large schools of skipjack tuna. And finally, in view of the apparently rapid rate of population increase, currently believed to be growing at 2.2 percent annually, a renewed family planning campaign closely modelled on the successful approach of 1969-73, would appear to warrant high priority.

## NOTES TO CHAPTER NINE

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- 1 1978 estimate, from New Zealand High Commission (Apia) to Wellington, 15 May 1978, MFA 316/1/1, headed "The Gilbert Economy After the Union Jack: Skipjack or Blackjack?"
- 2 National Development Plan 1979-1982: 18.
- 3 Asian Development Bank (1983): 41
- 4 Data supplied by C. McFadyean, Government Statistician 19/3/84.
- 5 The import duty on rice and flour is low at 3 and 5 cents/kg and 9 cents/kg for sugar. Meat carries a 15% duty and canned fish 60%, tea 30% and cabin biscuits 20%.
- 6 A number of factors were involved in the failure but significant factors were the unwise insistence of WHO consultants that a greater range of options be introduced to receptors, including depovera injections to supplement the much more effective loop, the lack of success achieved under Kiribati conditions of the ovulation method, and the renewed opposition of the Catholic Church to aspects of the programme; personal communication, J. Pitchford, 15/3/84).
- 7 National Development Plan 1979-1982: 48, Table 4.6.
- 8 National Development Plan 1983-1986: 57.
- 9 National Development Plan 1983-1986: 56, estimates 3,000 unemployed out of a cash economy labour force of 10,560 in 1980.
- 10 National Development Plan 1983-1986: 56.
- 11 J. Pitchford: 1981, Decentralisation Report Vol 1 p.22.
- 12 K. Trewren, The Development of the Coconut Resources of Kiribati, Ministry of Natural Resources Development Division of Agriculture, Tarawa, 1983. p.7.
- 13 See Geddes et al (1982): 65 67: Watters and Banibati, (1984): Trewren, (1983): 7-20.
- 14 Figures supplied by C. McFadyean, Government Statistician.
- 15 The Copra Society has performed this function late in the 1970s which it neglected to do in 1972-73. However, it did keep the price at the exceptionally high price of 17 cents/lb in 1980, long after the international price had greatly fallen, and in the end bankrupted itself. Government ordered it to drop its price. In 1972 an adequate price for the grower would have been 4 cents/lb which in current terms is equivalent in 1983 to about 9 cents/lb.
- 16 S. Pollard "An Economic Analysis of Coconut Replanting", Kiribati Government, MS, pp 13, 25, 18 January 1984.
- 17 S.P. Marrott, The South Tarawa Artesanal Fishery, Fisheries Division, Ministry of Natural Resources, Tarawa, 1982.
- 18 Jane N Hurd, "Satellite Communications for the Pacific Islands: An Alternative to Isolation", Pacific Islands Communications Journal, Vol. 12, No. 2, 1983 pp 71-78.
- 19 N.D. Kurunaratne, "Telematic Infrastructures for the Developing Pacific", Pacific Islands Communications Journal, 12,2, 1983, pp. 113-25.
- 20 See Geddes et al (1982): Chapter 7; Watters and Banibati, (1984): Trewren, (1983): 7 20.
- 21 e.g. see M Nelson, The Development of Tropical Lands (1973) on Latin America, J. Higgs, Land Settlement in Africa and the Near East, Land Reform, Land Settlement and Co-operation, 2, (1978) and D. Hulme, 1983, "Agricultural Land Settlement", Pacific Viewpoint 24,1, on Papua New Guinea.
- 22 Pitchford (1981)
- 23 Thus attitudes, values and policies – e.g. in education – can indirectly weaken or challenge traditional skills that are important in gaining a subsistence livelihood.

## CHAPTER TEN

### TUVALU

Tuvalu, a country of 8,000 living in an area of less than 10 square miles, is one of the smallest colonies ever to achieve independence. This was a bold decision and one which has major consequences, not only for Tuvalu, but also for her Pacific neighbours, in view of the nation's dubious economic viability.

#### 10.1 Society

The Tuvalu people are a strongly cohesive, missioned society, with a strong ethic of sharing, equality and community support. They are a proud, friendly people with a sense of their own superiority - even at times, a touch of arrogance. Outer islands contain a considerable reservoir of skilled people. The Ekalesia or body of Church members is a very strong community and the church guides the direction of island affairs. Tuvalu people have for several decades shown a lively interest in the outside world, in achievement orientation and in the acquisition of more Western goods. Whether this can be attributed to the influence of early missionaries, the early establishment of secondary education on Vaitupu, or more probably to Tuvalu value orientation, is not certain. One possibility, advanced by Chambers<sup>1</sup> is the “pouliuli myth”, an attitude that assumed that traditional Tuvalu culture was inferior to western, that local customs belonged to the days of darkness (pouliuli) and must be discarded in favour of enlightened ones from European culture. At any rate, Tuvaluans often seek to transcend the limitations of their habitat by welcoming social change, education and embracing most Western culture traits.

#### Situation at Independence

#### 10.2 Resources

What was the situation of Tuvalu at independence in 1978? The nine tiny islands have no land resources of any significance and offer only the most limited and bleak prospects of agricultural production. On some islands the sandy or stony coral soils suffer from a serious mineral deficiency: on Vaitupu up to three quarters of the coconut palms do not bear nuts.

Nanumea is a typical atoll, with a lagoon. Nanumaga, Niutao and Niulakita are reef islands, consisting of a single islet made up of sand and coral material thrown up by wind and wave action. They lack open lagoons but have internal salt lakes. Vaitupu is the largest island with 20% of the total land area of Tuvalu; it is intermediate between an atoll and reef island, having a virtually land locked central lagoon. Funafuti, the capital island and Nukufetau are the only islands to have lagoons that are navigable by ocean going vessels. Water is one of the scarcest and most important resources and improved water catchment and collection are major objects of public works programmes.

Population densities are amongst the highest in the Pacific, varying in 1979 from 156 to 405 per square km. on the outer islands and averaging 307 per sq. km. On several islands, the whole population is concentrated on a single islet.

# TUVALU

Nanumea

Niutao

Nanumaga

Nui

Vaitupu

Nukufetau

Funafuti

Nukulaelae

Niulakita

6°00'S

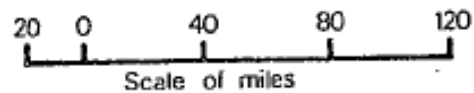
8°00'S

10°00'S

176°00'E

178°00'E

180°00'E





Apart from the coconut palm, the only crops produced are pulaka (*Cystosperma chamissonis*), taro, pandanus breadfruit, papaya, bananas, sugar cane and sweet potatoes. The output of copra, the only export, is very small, and extremely variable on these densely populated islands. Palms grow on lands usually less than 0.5 hectare in size and the erratic and unpredictable production of copra reflects the interaction of a set of factors such as cash demands, alternative money sources, the price of copra, rat damage, rainfall variability and other adverse factors. In the years 1973 and 1974 during which the price of copra varied from \$59.7 to \$110.1 per tonne, copra production varied from 65 to 559 tonnes. Again in 1976 only 60 tonnes were produced, while in 1979 723 tonnes were harvested. Mean production is 381 tonnes.

It is clear that the greatest hope for the future lies in the sea. The vast distances that separate the individual islands make internal communication difficult and costly, for the islands span an expanse 600 kms in width, and Funafuti is itself 600 sea miles from Fiji. But with the establishment of the 200 mile E.E.Z., an area of 778,000 sq. kms. became available for exploration. Only a tiny fraction of this huge area can be used by Tuvalu fishermen and effective exploitation of skipjack tuna and other pelagic resources requires a great increase in the capital resources needed to develop the industry, whether for catching fish (boats, nets, gear), storage and handling (freezers etc.) and the many skills involved in all branches.

### 10.3 Political Resources and Constitutional Factors

At the political and governmental level, it has been said that Tuvalu was most ill-prepared for independence. There was a striking shortage of experience and skill and in one Ministry, neither the Minister nor Permanent Secretary were educated beyond primary level. This quality must not be exaggerated however, for Tuvaluans excelled in many Government posts in the former Gilbert and Ellice Colony and many men have gained skills overseas before returning to village life. More serious is the lack of continuity in public service positions, a determination of the first Government to scrap procedures begun in the colonial era simply because it was the colonial era (e.g. a completely new Public Service Commission was appointed) and frequent replacements have sometimes been made of the heads of government departments.

Moreover, the process of political development was inordinately rapid: the country was required to compress “fifty years of history into five”- the period from separation from the Gilberts to political independence, and the period of internal self government was only six months. Small wonder that some political problems have emerged. Moreover, as an experienced Colonial administrator has remarked it was perhaps unfortunate that the Constitutional Committee's recommendation that the orthodox Westminster system be slightly modified to allow the Governor-General rather more powers than is usual, in order to provide “a valuable safeguard against possible abuse of power” was later over-ruled, with the Governor-General's powers reduced and the Chief Minister's increased. The Sidney Gross affair, which stripped Tuvalu of much of its reserve funds, caused a financial crisis, and eventually brought down the first government of the independent country, illustrates perhaps the folly of dispensing with constitutional safeguards against the exercise of great power by any individual minister.

In spite of the seriousness of these problems, the Tuvalu nation has in other respects an enviable record. This proud and happy people manage their affairs without riots, bloodshed or unseemly publicity. Once a decision has been taken, people are usually loyal to their leaders, and tolerant of their actions. The desire to avoid confrontations or any loss of face leads to a remarkable constancy in political life. This pays dividends in terms of political stability.

#### 10.4 The Independence Settlement

Many observers considered that at independence Tuvalu was generously endowed with aid money. It is perhaps unfortunate that the United Kingdom did not agree to Tuvalu's proposal at the independence conference for a once and for all lump sum, to be invested as a reserve fund to provide a steady income in place of periodic budgetary aid. Such a step would have given the country a greater chance of financial as well as political independence, and accorded with the first Chief Minister's laudable determination to become progressively less reliant over time on overseas aid. Admittedly, with the wisdom of hindsight, we can see the sense of an experienced colonial administrator's comment that "those who have to deal with the affairs of Tuvalu in London, Canberra and Wellington in years to come, will regret the decision" to opt for periodic budgetary aid in preference to a lump sum reserve fund: "For the level of budgetary aid granted has been high enough for the country to take on recurrent commitments, the cost of which will inevitably escalate with inflation". Instead the country veered over a three year period from an embarrassment of aid moneys to a liquidity and financial crisis. Indeed, the country has been beset by powerful contradictory influences. Apart from its grant aid allocation of up to \$1 million p.a. Britain granted a special \$5 million fund, and the United Nations made an independence grant of \$1.5 million. Over the early period, before and after independence, the country was constantly beset by donor countries, who exhorted Tuvalu to think of ways in which to spend the various grants. New Zealand too was upset that the country was only using a quarter or so of its allocation of aid funds. This situation was strongly reminiscent of Tarawa and Guadalcanal at the beginning of the 1970s when the inflow of overseas aid was embarrassingly large and "development performance" was often equated with the capacity of the administration to "absorb" those funds and dispense with them in ways acceptable to the accountants. The confusion between improving administration to handle aid and achieving genuine development is unfortunate. When viewed in a longer perspective (and a few years later, at the time of the financial crisis) this situation is sadly ironic. The question hinges fundamentally on two crucial issues: the direction (or directions) in which Tuvalu is headed as a country, and the matter of scale.

#### 10.5 Goals of Development

In the period leading up to independence, two opposing philosophies predominated amongst planners and politicians: the local view that Tuvalu should be equipped, as rapidly as possible, with a modern infrastructure comparable to that existing in neighbouring countries and the opposing external view that the territory should be set up cheaply along traditional lines of yesteryear as "a settlement of happy smiling natives living in leaf huts and lavalavas". Inevitably in such a period of rapid change the former view of the local people, supported by the developmental ideas of visiting aid personnel, won the day, at least in Funafuti. It may well be that such an outcome was inevitable: "a stoneage oasis in the modern world is just not practicable". But it also appears that the full implications of creating a machine age twentieth century oasis in a remote atoll economy were not fully thought-out. It is now becoming

apparent that the rapid development of infrastructure on Funafuti has created a situation where recurrent costs are becoming a major problem. The aspirations of the people (already much higher than in neighbouring Kiribati) have been fanned, the infrastructure has not generated economic growth, and great economic and social disparities have been created between Funafuti and the outer islands.

Per capita GDP is estimated (1982) to be A\$763 for Funafuti, but only \$209 for the outer islands (subsistence food production is not included). The growing over-population problem on Funafuti is becoming intense: Fongafale, the main islet of Funafuti, has a population density of 1,640 people per sq. km. With increasing drunkenness, crime, illegitimate births, it is feared that social stress and health hazards will be magnified if Fongafale's population density increases much further. This tendency of growing disparities between the centre and outer islands, which occurs in many Pacific Island states, is especially marked in Tuvalu; it leads to tension and internal disunity, reflected to some extent, for instance, in the abortive movements for the secession of Nanumea and Funafuti (P.I.M.). Too often donor countries appear to take little account of the pace of change and the need of islanders to fully accept and accommodate the new innovations, which include new systems of organisation and life ways.

Attempts at modernisation, moreover, must come to terms with the essential fragility of life in an atoll environment and the delicate adjustments that populations have worked out after centuries of trial and error adaptations to one of the most limited and difficult environments in the world. It is vitally important that aid does not disturb or threaten this adaptation. Secondly, in a country of less than 10 sq. miles, the question of scale must never be overlooked in aid programmes. Closely related to this are innovations that are appropriate to an atoll environment and a distinctive and cohesive Polynesian culture.

#### 10.6 Economic Viability

In view of the goals that have been accepted of equipping Funafuti at least with a modern infrastructure, the concept of national viability, alluded to above, requires definition. An acceptable definition is that used in the Kiribati decentralisation report to mean "the capacity of a country to feed and look after its population from its own resources" (Green, Bukhari and Lawrence, 1981). It is clear however that "looking after" a population in the modern world involves overseas training, maintaining diplomatic posts, membership of regional organisations which have substantial subscription fees, and numerous other commitments. It is clear that in Ministry of Foreign Affairs memoranda and in Government circles generally, the term "viability" implies a nation's ability to meet all such costs as well as to provide basic needs such as food, water, housing and education for its population. While Tuvalu can perhaps be regarded as "viable" according to the former, more limited definition, it is certainly not viable in this wider sense. For instance, it has been dependent on overseas aid to make up the \$226,000 operating loss on the air link to Fiji, which it sees as its main link with the outside world. Tuvalu is a member of the Forum and South Pacific Commission but is less than enthusiastic about some other regional bodies, partly because of the cost of membership in relationship to perceived benefits. Thus, it requested that New Zealand pay the \$70,000 fee owing to the University of the South Pacific. And maintenance of the internal air service, which Tuvalu politicians regard as essential for preserving harmony and unity, cost \$400,000 annually, supported by British aid. In August 1983 this ceased and since then only the rare

charter of an amphibious plane from Fiji for special occasions has occurred; normal inter island communication is a month long voyage on the decrepit Nivaga.

## 10.7 Population

The total population was estimated to have reached 8,364 by 1983. An unusual characteristic about the population is its sex composition: at the 1979 census there were only 87 males per 100 females. This clearly reflects the absence of young men overseas in employment. The age structure shows 33.5 percent of the population to be under 15 years. The crude birth rate was 23.7 per 1000 total population and crude death rate 15.0 per 1000. (Infant mortality rate 42 per 1000 live births). The expectation of life at birth is 57 years for males or 60 years for females.

The recent acceleration in the growth rate of the population gives grounds for concern. The population has been greatly affected by the unique historical events of the last 10 years, with substantial inflows of Tuvaluans occurring from the Gilberts immediately before and after Separation in 1975 and Independence in 1978 (see Fig. 8.1). However, the most significant figures are those on the rate of natural increase, which is estimated to have grown from 1.83% in 1980 and 1.07% in 1981 to 2.15% in 1982. While too much emphasis should not be put on a high figure for a single year, there appears to be an ominous steady upward trend in the period since 1979 (Table 10.1). At this rate of 2% per annum increase the population would double every 35 years - i.e. reach 17,000 in the year 2008. Moreover the situation is likely to worsen when the 800 Tuvaluans currently living in Nauru return home. The Third Development Plan suggests several reasons for the accelerated population increase. Improved health care has been a benefit, lowering the death rate. The fertility rate has increased due to several factors, including a growth in the number of women in the child bearing age groups since 1979, the great concentration of working age and child bearing age groups in Funafuti, the optimism and higher expectations following Independence and the expenditure of large aid grants, and the apparent failure of the Family Planning Programme to achieve a significant impact.

In view of the extremely limited resource base of the country it is essential that the population does not grow at a faster rate than the supply of resources; accordingly, the Third Development Plan rightly assigns crucial importance to the Family Planning Programme. Assistance in achieving this objective, should Tuvalu so desire it, would be a worthy aim for overseas aid donors.

FIGURE 10.1

TUVALU POPULATION, 1866-1983

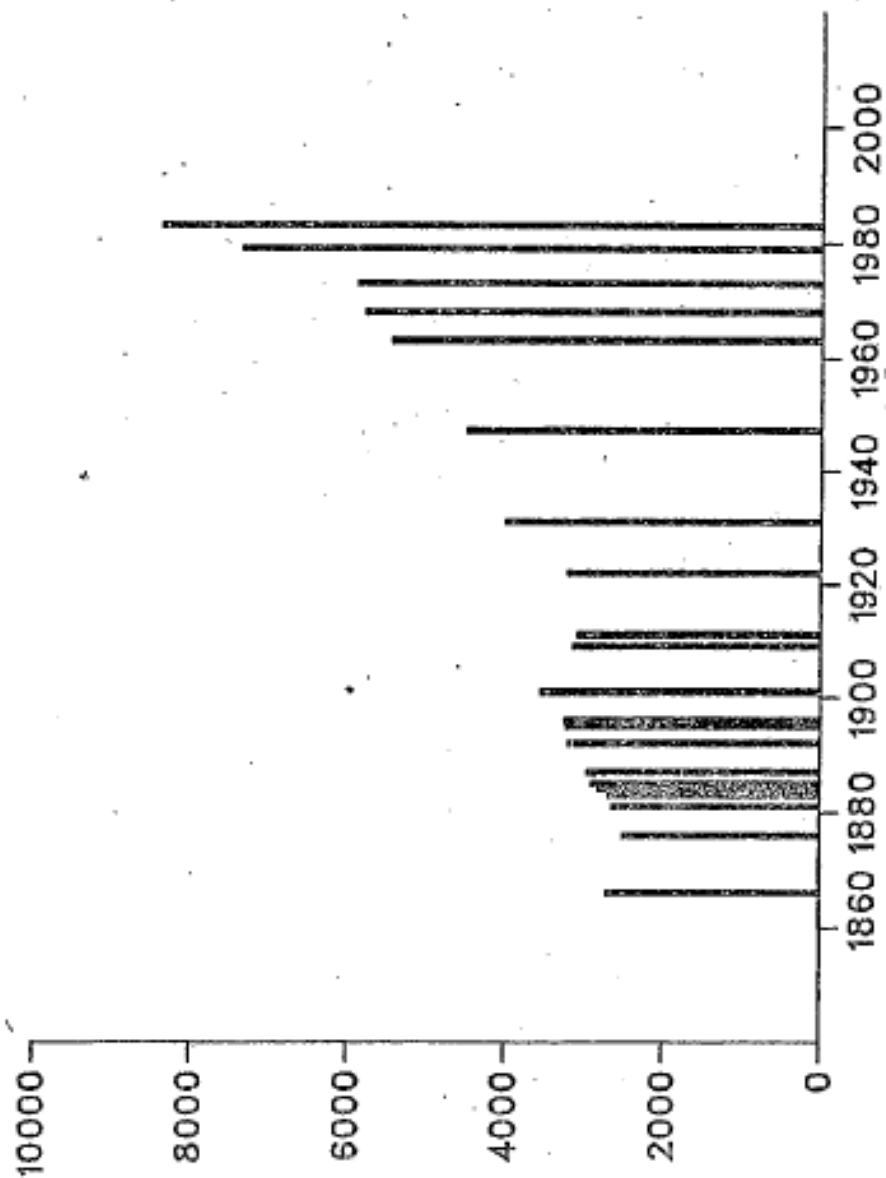


TABLE 10.1  
Population

| Year | Total de facto population | Estimated de jure population |
|------|---------------------------|------------------------------|
| 1866 | 2600-2800                 |                              |
| 1876 | 2497                      |                              |
| 1881 | 2630                      |                              |
| 1883 | 2687                      |                              |
| 1884 | 2815                      |                              |
| 1885 | 2902                      |                              |
| 1887 | 2952                      |                              |
| 1892 | 3196                      |                              |
| 1895 | 3226                      |                              |
| 1896 | 3245                      |                              |
| 1901 | 3543                      |                              |
| 1909 | 3128                      |                              |
| 1911 | 3080                      |                              |
| 1922 | 3202                      |                              |
| 1931 | 3994                      | 4089                         |
| 1947 | 4487                      | 5066                         |
| 1963 | 5444                      | 6763                         |
| 1968 | 5782                      | 7465                         |
| 1973 | 5887                      | 7694                         |
| 1979 | 7349                      | 8652                         |
| 1983 | 8364                      |                              |

TABLE 10.2  
Population of Funafuti versus the Rest

| Year | Funafuti | Other Islands | Total |
|------|----------|---------------|-------|
| 1866 | 100      | 2600          | 2700  |
| 1876 | 146      | 2351          | 2497  |
| 1881 | 180      | 2450          | 2630  |
| 1883 | 175      | 2512          | 2687  |
| 1884 | 190      | 2625          | 2815  |
| 1885 | 208      | 1694          | 2902  |
| 1887 | 210      | 2742          | 2952  |
| 1892 | 231      | 2965          | 3196  |
| 1895 | 224      | 3002          | 3226  |
| 1896 | 227      | 3018          | 3245  |
| 1901 | 257      | 3286          | 3543  |
| 1909 | 205      | 2923          | 3128  |
| 1911 | 228      | 2852          | 3080  |
| 1922 | 218      | 2984          | 3202  |
| 1931 | 413      | 3581          | 3994  |
| 1947 | 528      | 3959          | 4487  |
| 1963 | 687      | 4757          | 5444  |
| 1968 | 826      | 4956          | 5782  |
| 1973 | 871      | 5016          | 5887  |
| 1979 | 2120     | 5229          | 7349  |
| 1983 | 2620     | 5744          | 8364  |

## 10.8 The Tuvalu Economy

The economy of the country is characterised by its extreme openness, even when compared with other South Pacific countries, and hence lack of control that Government can normally exert on it. In spite of its very small size, external factors over which Government has little control (though it can of course exert an influence) are very dominant: the role of foreign aid, variability in international prices for fish and copra, and uncertainty over sources of overseas employment which lead to remittances entering the country. Moreover even the largest export in terms of revenue, philatelic sales, is critically affected by extraordinary events which are rather rare in their occurrence, such as a royal visit. In normal years after such an event sales can be expected to drop dramatically.

Since the statistical data base of the country has been altered and improved since 1977, it is somewhat hazardous to estimate growth rates with much precision. The Third Development Plan however, estimates a Gross Domestic Product at current producers' prices of A\$3,516,000. Overseas aid over the period of the Second Plan (1980-83) totalled A\$12.5 million, of which the United Kingdom contributed 4.7 million, Australia 2.5, Japan 1.6, New Zealand 1.5 and U.N.D.P. 1.0. The 1982 aid moneys received totalled \$4.8 million or 122% of GDP at market prices; in 1977 and 1981 the aid totalled 57% and 81% respectively.

Another major source of income is remittances, and it is likely that official estimates are very rough, since money and gifts are sent back in various ways apart from post office and banking channels. However, official figures, for what they are worth, suggest remittances of about \$643,000 in 1982 (Third Development Plan 1984-1987: 5-10).

In a country which officially espouses a "liberal capitalist" approach, but in which the basic production and consumption units are fragmented individual households, any attempts at raising monetary incomes are likely to result almost immediately in increased imports. Almost all households have access to at least one source of income - usually more. Most households derive income from one of three main sources: local wages; remittances and gifts, whether solicited or not; and copra, which is the income source in the main for the poorer group of households. It is ironic that Government efforts to raise money incomes on the outer islands, through promoting copra production, handicrafts and other rural enterprise is at once translated into a heavier import bill, worsening the country's overseas exchange situation, since savings and investment are almost nil. In Chambers' sample households, 77% of all expenditures were spent on store goods, mostly imported food such as flour, rice and sugar.

At the national level imports grew rapidly in the 1977-1980 period, when the optimism of Independence, the inflow of substantial aid funds, and the construction boom appear to have fanned rising aspirations. Thus imports of food, beverages and tobacco, already high in 1977 at \$485,000 or almost 39% of all imports, nearly doubled by 1979 to reach \$909,000 or 49% of all imports. Over the same period commodity export earnings have been extremely low, and foreign exchange earnings have been dominated by the great variability of philatelic sales. The trends of imports and exports are shown in Table 10.3 and Figure 5.6; imports vastly exceed commodity exports and the two bear little relationship to each other. This pattern has, of course, major implications for shipping. Vessels bringing cargoes of imported goods to Tuvalu have little in the way of exported goods to backload. As we will note below, there is no apparent commercial basis for providing shipping services to countries like Tuvalu.

These facts, taken in conjunction, largely explain the extraordinary economic problem of Tuvalu. Production is largely unrelated to the level of cash activity or income, given the large aid flow, substantial remittances and wages and salaries provided by public service employment.

Hence the incentive to produce goods for export is very low and the domestic multiplier (i.e. the amount of economic activity generated by spending each extra dollar of income) is very low, as most spending “leaks” out of the economy through purchase of imports. The Third Development Plan suggests that for each extra dollar of income earned at least 80 cents is spent on imported goods. While the increased cost of imported fuel is hard to avoid (it grew from \$173,000 in 1978 to \$478,000 in 1982), import substitution in foods will be unavoidable if aid ceases. However, such is the marked preference for “European” foods that this would be very hard to achieve.

TABLE 10.3  
Tuvalu Balance of Payments Data  
1982 Australian dollars 000

| Year | Commodity<br>imports<br>FOB | Commodity<br>exports | Philatelic<br>income | Remittances | Change<br>in<br>reserves | Balancing<br>item<br>(including<br>aid) |
|------|-----------------------------|----------------------|----------------------|-------------|--------------------------|-----------------------------------------|
| 1977 | 1,989                       | 74                   | n.a.                 | n.a.        |                          |                                         |
| 1978 | 2,309                       | 52                   | n.a.                 | n.a.        |                          |                                         |
| 1979 | 2,481                       | 325                  | 1,395                |             |                          |                                         |
| 1980 | 3,842                       | 86                   | 739                  | 500?        | 232                      | 2,749                                   |
| 1981 | 2,877                       | 32                   | 2,339                | 550?        | 527                      | 483                                     |
| 1982 | 2,890                       | 27                   | 1,077                | 643         | 1,679                    | 2,822                                   |

The strategic objectives of economic policy, as set out in the Third Development Plan (p.1-1) are threefold:

- 1) The continued development of a sense of national identity and commonness of purpose amongst all the peoples of Tuvalu.
- 2) The strengthening and diversification of the Tuvalu economy as a means towards achieving ultimate self reliance.
- 3) To continue to improve the standard of life of the people to reasonable levels that will ensure secure, healthy and productive family life within the traditional social system and customs in all islands.

Obligated to work within these parameters, the planners have assembled the usual list of projects which might be undertaken (basically with finance derived from aid), but were able to avoid the question of whether the central goals of policy, listed above, are either feasible or sensible. Some notes of caution are sounded on pp.1-3 and 1-4;

“Recurrent budget support from external sources will be required until new sources of revenue are developed. Government recognises



that if self-reliance is to be achieved it can only be done by the careful management of the country's finances ...

(In connection with “the National objective of self reliance”): The economy of Tuvalu is very open and policies to manage the country's finances and economic affairs may need to be introduced to govern, inter alia, trade and foreign exchange.

The Government recognises the ambitiousness of some of the objectives which it has set for the nation and is fully aware of the problems and constraints which will need to be overcome in the achievement of the objectives.

It further realises that the achievement of some of the objectives may make the achievement of others more difficult. For example the cultural traditions of the community could be eroded by continued economic development...”

A glance at Table 10.3 shows that if “self reliance” is taken seriously (which in fact it probably isn't by any of the actors) and if the third objective (continued improvement of the standard of living) is adhered to, then the country is aiming to generate an additional \$3 million or so of foreign exchange income per year. If achieved, this would permit the maintenance of more or less the present standard of living without external aid. The “gap” which is supposed to be thus filled amounts to nearly three times the earnings from Tuvalu's main bonanza to date - stamps - and five times the income from migrant remittances. (Not to mention, one hundred times the existing total level of commodity exports). The only undeveloped commercial resource of any significance identified in the Plan is fisheries, which were expected to yield about \$200,000 in licence fees from foreign vessels in the EEZ during 1982 (Plan: 10-5). This substantial return in the form of a rent on the country's EEZ is only one fifteenth of the amount required to reach “self reliance” at existing living standards; and the history of attempts during 1980-1982 to establish a Tuvaluan fishing sector, with the Te Tautai, suggests that the potential for future increases in fisheries revenues should not be overestimated.<sup>2</sup> The prospects of philatelic operations are brighter.<sup>3</sup>

All in all, the evidence from the Plan is that self-reliance on the basis of domestic resource development is not a feasible goal, unless living standards are cut dramatically. Present living standards are derived from the MIRAB system, with aid the dominant component but remittances varying significantly. It is apparent that the ostensible pursuit of self reliance is really a rhetorical device to maintain credibility in the world of so-called “development aid”. Tuvalu's present and future living standards hinge crucially upon continued success in attracting external financial assistance and in securing offshore employment opportunities for Tuvaluan workers. The first of these receives no direct discussion in the Plan, which is a logical consequence of the rhetorical commitment to phasing out recurrent grants-in-aid as a source of government revenue (p.4-5) and of the pretence which therefore has to be maintained in Chapter 40 (“Financing the Plan”) that all external aid will be directed towards “development” as distinct from the on-going subsidisation of living standards.

The second key issue, migration opportunities, is recognised in passing among the secondary Plan objectives, which include<sup>4</sup>

- (iv) “To develop employment opportunities both locally and overseas for those who wish for regular employment.”

The question of overseas employment openings, however, is dealt with in only three paragraphs (pp.6-9 and 6-10) and is treated as something largely outside the control of the Tuvaluan Government.

The Plan document, like its predecessors, is unable to come explicitly to grips with the problems of managing the Tuvalu economy. It provides merely a checklist of spending opportunities for the benefit of present and potential aid donors. Many of the spending opportunities are worthwhile as contributions to the enhancement of the quality of life in Tuvalu, but it is sheer delusion to suggest that as a package they contribute in any way towards “increased self-reliance”; on the contrary, many of the additional services proposed will impose an increased level of on going need for external funding.

The “trade-offs” delicately alluded to by the plan authors boil down, in fact, to the simple fact that increased self reliance means lower living standards unless there is a breakthrough in the external labour market, which would enable Tuvaluans to raise their overseas earning power, and hence the level of remittances, towards the level typical of the Cook Islands. (Remittance flows from New Zealand to the Cook Islands are roughly NZ\$250 per capita p.a.; Tuvaluan remittances are A\$75. A trebling of remittances would go far towards eliminating the financing gap in the Tuvaluan balance of payments). In fact the external labour market has been closing in on Tuvalu rather than opening out; the return of former civil servants from Tarawa in the 1970s was followed by a decline in employment on Nauru (which will cease altogether in about ten years) and no major improvement of opportunities on foreign shipping lines, which are a major source of jobs for Tuvaluan seamen. “Underground” movement of Tuvaluan labour to New Zealand and the USA has not yet reached the proportions necessary to make a real impact on the balance of payments; and Tuvalu has refrained from putting major diplomatic effort into any attempt to gain “above-board” access to the New Zealand, Australian, or US labour markets.

Lack of progress (or even policy initiative) on the labour market front, combined with the declared UK policy of running down the recurrent grant in aid to the Tuvalu Government, leaves the Tuvalu population confronting a steady squeeze on real incomes, unless aid donors can be induced to maintain a high level of financial inflows to Tuvalu under the notional heading of “development aid”. In fact, austerity has been the keynote of recent government policy; real import levels have been held below the 1980 level (Table 10.3) and a tight rein has been kept on Government spending. The percentage of recurrent revenue financed from local sources has risen from 65% in 1979-81 to 73% in 1982-84 (Fig. 5.11). The phrase “There is no money” has become a standard response to requests for Government services for some years. And in the last four years, when inflation was averaging between 9.5 and 9.6% there have been no wage rises for the Public Service, with three submissions turned down. In this period of 1979-82 the gap between the “core” and “periphery” represented in the imbalance in the average per capita income of Funafuti compared to the average outer islands income, narrowed from a ratio of 1:4.8 to 1:3.6 as incomes in Funafuti fell from \$801 to \$763 while outer islands

incomes increased from \$165 to \$209 (Third Development Plan, Table 5.6). Such tight economic management may have to pay a price in political popularity of the Ministers concerned, and it is not surprising that some relaxation occurred at the beginning of 1984, with a 5% wage rise for public servants (which will cost \$220,000) in the offing. Given the financial crisis that the first government of independent Tuvalu plunged the country into with the Sidney Gross affair, the continuing effects of the World recession and the oil price rises and the inbuilt weaknesses and contradictions of the Tuvalu economy, the economic management of the country will of necessity continue to be tightly controlled, dampening down imports while encouraging the propensity to save and invest and integrating internal elements that might lead to production linkages. Apart from these reasons, early steps to revitalise a meaningful Family Planning Campaign and a clear policy toward fishing and marine resources that could maximise Tuvalu involvement and returns are needed, unless the MIRAB economy is given a new lease of life by New Zealand and/or Australia.

#### 10.9 Fisheries

Tuvalu's EEZ encompasses approximately 3/4 million km<sup>2</sup> of oceanic waters. The only surveys done in Tuvalu waters suggested that skipjack were in "reasonable abundance" during the June July survey periods of 1978 and 1980. Available statistics for Japanese distant water pole and line vessels show that in some years, high average daily catches, in excess of 8 tonnes per day, have been taken between August and December (Ellway et al., 1983, p.31). Roughly two thirds of the tuna resources appear to be skipjack.

In 1981 the country acquired a tuna fishing vessel, the Tautai, through Japanese aid. It has a Japanese captain and engineer and has provided training to the crew of 26 Tuvaluans. In the first year, however, it generated quite a large loss on a catch of 237 tonnes worth \$191,000. Last year it caught more fish and made up most of the earlier losses (catching 293 tonnes worth \$214,000), but prices fell. To attempt to make up the financial losses made to date, the Fishing Corporation (NAFICOT) has agreed to the Tautai being used purely for research in Fijian and Tuvalu waters in 1984 and 1985. All costs will be borne by Japanese aid but any fish caught will be profit.

The Tautai is based in Fiji where there are shore facilities, and it also fishes for much of the year in Fiji waters, paying, in effect, a fee. The vessel returns to Tuvalu each year to lay up, and at that period fishes in Tuvalu waters, where catches are just as good. It is now realised however that at 170 gross registered tonnes, the Tautai is too large, and has operating costs that are far too high. A smaller boat of about 50 tonnes could employ just as many pole and line fishermen, yet be much more economical. Although there is some thought of the desirability of attempting to acquire a small vessel to complement the existing one, there are no firm plans within the next two or three years.

In sum, Tuvalu has not adopted a particularly effective strategy in developing its fisheries. The Fisheries Corporation, like most fishing corporations in other countries, has lost money, though not as much as most. The view was expressed that Te Tautai had been a "grandiose scheme" and the country was "trying to run before it could walk".

The Prime Minister regards marine resources as an area of the highest priority. However, he pointed out that there are many gaps, with Tuvalu lacking the human resources. The country

needs masters, engineers, skilled fishermen and scientists. Education is needed to capitalise on the resource that undoubtedly exists. But what type of fishing will be most beneficial? Long line tuna fishing is no use, according to the experience of Taiwan. Pole and line is unpredictable. Everyone at the moment is opting for purse seining, but this method is extremely expensive. He doesn't want to start, utilising one particular approach, only to find that it is obsolete. We must see "what a careful study of options will produce".

Australia has indicated it is willing to be involved in fisheries development and the Government of Tuvalu has allocated 10 15% of Australian aid (A\$5 million over the next five years) to fisheries. The Australians wish to appoint a project manager to take over, and there are some misgivings that the job specification might emphasise planning and project projections rather too much at the expense of practical fisheries experience and ability on the marketing side. Although the Tuvalu view has been reiterated, the Australians have not accommodated it.

Unlike Kiribati, the prospects for baitfish farming in Tuvalu do not appear to be promising. However Fiji and Tuvalu waters do not appear to be short of baitfish. In April 1984 a survey began on the abundance of blue backed sprat, a baitfish attracted by light. At times when these are plentiful, the vessel could be called up from Fiji waters.

The Division undertakes the promotion of small scale fisheries and uses a diesel powered catamaran (which frequently breaks down) to undertake extension visits to outer islands. Islanders are encouraged to market shark fin and beche de mer for export and salt fish for local sale, but the output has not been encouraging. There is enthusiasm in the division for a scheme to export schnapper to Fiji. The United Kingdom approved a smaller project in this area; the intention now is to build a wholesale and processing market with freezer.

The new jetty on Funafuti, opened in March 1984, is seen as a major asset. This was provided under New Zealand aid and took only 3 months to assemble. Prospects for the development of a small scale artisanal deep bottom fishery in Funafuti, to supply the local market, appears to be very good.<sup>5</sup>

Even if Tuvalu does develop more effective capacity to catch commercial quantities of fish, the transport bottleneck, both internally in the group and with the outside world, is seen as frustrating attempts at marketing it overseas. Indeed, "anything Tuvalu can do, Fiji can do better".

### Agriculture

#### 10.10 Copra and Motivation

A major characteristic of agriculture in Tuvalu is the relative lack of interest that Tuvaluans display in cutting copra, in contrast to their northern neighbours, the I-Kiribati. Thus the Tuvaluans who seem to depend more fully on a variety of other sources of income cut an average of only 291 tonnes in the 16 year period 1968-83, which represents a per capita figure of only 42kgms each. The comparable figure for Kiribati is 125kgms per head (average of 1972-83).<sup>6</sup>

A major scientific advance has recently been made in Kiribati with the analysis of large numbers of soil and coconut leaf sample material. This work which has also been paralleled by

experiments on Viatupu, suggests that great increases in nut yield occurs with the application of micro elements. The results, presented in Trewen (1983) will shortly be followed by a similar study on Tuvalu. The problem, however, is not primarily one of increasing nut availability, but of encouraging the actual collection and cutting of the nuts. It is believed that in general, people only collect nuts to make copra when some particular "target income" is needed - e.g. for the payment of school fees - and when the money is not already available from some other source.

There is little doubt that motivation to raise money or to work is enormously increased if community pride is involved, if the Government can launch a campaign to which the Ekalesia (Church members) can lend its support, or if the element of competition can be introduced. Competition on a group basis for what the community regards as a worthy goal, leads to healthy rivalry, lifting production greatly. This can be illustrated over the Stabex subsidy rate.

As part of the Treaty of Lome agreements by which CAP countries (including small Pacific countries) achieved access for their exports to the EEC, the resulting STABEX subsidy was calculated on a 4 year moving-average of copra production. The last year of the current four year term is 1984 and it was felt desirable that a "big push" be made to increase copra production this year to lift the moving average to a point that will govern the subsidy for the next four year term. It was believed that with the help of the Fusi, the way to achieve this would be to organise a competition on the outer islands for copra production, with a prize awarded to the winner.

The Coconut Replanting Scheme which began in the late 1960s has not achieved significant progress to date, with only 55.5ha being replanted by 1980. From 1980-81 a further 22ha were planted.

#### 10.11 Soil Nutrient Deficiencies

For several years a small number of British agronomists have been working in Tuvalu, mainly undertaking experimental work on Vaitupu (mean annual rainfall of 3170mm). Though most of their work to date does not appear to have produced results of great significance, the recent replicated trials on 10 20 plots of sweet potatoes have produced most encouraging and important results. Begun to encourage underplanting beneath coconuts, the trials have revealed that a basic dressing of trace elements lacking in the soil followed by fertilisation with major elements give excellent crop growth. Harvests of up to 16 tonnes per hectare of sweet potato have been recorded, and although this is low compared to high islands such as in the Solomons (20 or more tonnes), it is very high for atoll soils. Unfertilised plots on Vaitupu yield 1 tonne, half a tonne or no crop at all. The basic dressing (mix no. 1) applied pre planting is:

- 500 units of ferrous sulphate
- 75 units of manganese sulphate
- 30 units of copper oxychloride
- (or 60 of copper sulphate)

Mix no. 2 of major elements, applied one month after planting and again two months later, consists of:

- 192 IBDU (nitrogenous slow release)
- 201 Triple super phosphate

### 300 Potassium sulphate.

Although final costings have not yet been completed, these dressings seem to be quite economic, with trace elements costing 70 cents per kgm or 7 cents per square metre.

#### 10.12 Local Cash Crops

The Department is anxious to promote the production of sweet potatoes, and later pumpkin, taro, bananas and pulaka (giant taro or babai), for the local market. There is a little interest in raising chickens and more in egg production. The Department is starting to establish nurseries of sweet potato cuttings on each island and hope a few local producers will soon start sweet potato gardens of up to ¼ acre in size. Producers can expect to receive about 70c per kgm, leaving the crop in the ground before harvesting on the arrival of the Nivaga. The Cooperative (Fusi) which purchases it adds about 15% for handling and freight charges, and it is likely to sell in the Funafuti market for about 82c kgm. Although the Department is hoping that outer islanders can afford the fertiliser costs without aid, it might be advantageous to consider support, if costings are a little higher than anticipated, on a trial basis under the New Zealand supported Small Projects Fund.

The bees project has been successful in that a good output of honey is being produced. However in the moist climate with the deterioration of internal transport, fermentation occurs unless it can be sold within a month. The arrival of a sterilising unit from New Zealand is now urgently wanted so that supplies can keep and be sold over a longer period in Funafuti.

Given the small size of the country it is not surprising that an unfavourable report has been received on the prospects of a portable coconut timber mill to serve the local timber market. But as senile coconut palms are removed in the on going replanting scheme it is planned to burn the trees to produce charcoal. In Funafuti population pressure means that there is an acute shortage of timber or husks for household fuel. Sale of locally produced charcoal would substitute for imported kerosene.

With a recurrent budget of only \$39,000 for 1984 the Agriculture Department is heavily reliant on capital aid.

#### 10.13 Natural Resources

Within the Department of Commerce and Natural Resources, fisheries and agriculture are the prime concern of the area of natural resources. In a country so dominated spatially by the oceans, it is appropriate that Tuvalu has recently joined the United Nations committee for joint prospecting of offshore areas in the Pacific (the CCOP). There have been some indications of manganese nodules around the Ellice Basin and the Government recently has asked the Japanese to undertake a seabed resources survey.

#### 10.14 Philatelic Sales and Handicrafts

The unpredictability of life in a small atoll country is illustrated by philatelic (stamp) sales, which have fluctuated greatly, peaked after Royal visits but recently slumped badly (see Table 10.3). However, now the prospects for 1985 look excellent with "Leaders of the World" and

“Trains of the World”<sup>7</sup> stamp issues from a British company. It appears too that large overseas firms who want to offer sponsorship might include Tuvalu stamps etc., in cornflakes packets or other products that they wish to promote. The prospects might even reach \$10 million over 6 years, according to one source. Tuvalu coins might also be a source of revenue.

Handicrafts have been an insignificant product in the past few years. Annual production did rise substantially however from \$8,549 in 1982 to \$21,803 in 1983. However only about half of these sales appear to constitute exports.

#### 10.15 Employment

The subsistence sector still dominates the economy, with only 13 percent of the total population in full time wage employment ( Third Development Plan, Table 6.8). Of all forms of employment, the public service is easily the most important, accounting for 62% of all jobs in 1983. One of the most striking changes that has occurred in the last 10 years is the accelerated growth of Funafuti as centre, capital and “growth pole” of the country. This is illustrated in Table 10.4.

TABLE 10.4  
THE GROWTH OF FUNAFUTI

| Year       | Population of Funafuti | % of Total | Total Population |
|------------|------------------------|------------|------------------|
| 1973       | 871                    | 15         | 5,887            |
| 1979       | 2,120                  | 29         | 7,349            |
| 1983 (mid) | 2,620                  | 31         | 8,364            |

From a little more than one seventh of the national population ten years ago, nearly one-third of the total population is now living on the main island where almost all of the cash sector is concentrated.

The average income of permanent wage and salary earners is estimated to be \$2,200 to \$2,500. Income tax begins only above \$2,500 (30 cents in the dollar) which means that less than 40% of wage earners are taxed. Higher salary earners are taxed at 40 cents in the dollar.

Indirect taxation is a major tool for raising revenue. A sales tax (which is really an import duty surcharge) exists of 5% on most goods. In recent years an increased tax has been levied on liquor, cigarettes and sugar, both to raise revenue and to discourage expensive imports.

#### 10.16 Export of Labour

Given such limited resources and a tiny modern sector almost entirely consisting of the public sector, the export of labour remains one of the few options available for earning a cash income.

Earlier, great reliance was placed on the remittances that several hundred Tuvaluans employed on both Nauru and Banaba sent back to their home islands. Since the final repatriation of the last Tuvalu workers from Banaba in 1979 there have been 300-400 employees, plus their dependents, on Nauru for six year contracts.

The major strategy of the country in attempting to secure access to overseas employment was the establishment of a marine training school (MTS) using the vessel Amatuku, in emulation of the very successful marine training school in Tarawa, Kiribati. Currently up to 400 Tuvaluans who have been through the South Pacific Training School, Tarawa, are employed on overseas ships. The Tuvalu MTS began operating in 1980, and takes on about 20 trainees each year. So far about 100 young men have graduated from the school with A B qualifications. At the moment the only available destination for the trainees is the Swire Pacific Ship Management Ltd of Hong Kong, which employs 6 Tuvaluans as crew on each of five tugs, with a further cargo vessel taking 14 seamen. Currently a German firm, Gunther Schulz of Hamberg is considering the possibility of taking on 50 Tuvalu seamen as crew for two new 6000 ton vessels.

Regrettably, the opportunity of a few Tuvalu workers to enter New Zealand to work in the aluminium industry for E. Ullrich, Auckland, has been almost eliminated by rising unemployment. In the late 1970s Ullrich took 12 Tuvaluans in a special work scheme by which the Department of Immigration granted entry; in 1984 only one Tuvaluan works in the firm. The American Tuna Association employs three Tuvaluan seamen in their fleet based on Pago Pago. The arrangement was finalised by a New Zealand citizen. There is some prospect that a new, privately owned ship operating in Papua New Guinea might employ a few Tuvaluans as crew members.

Although the Secretary for Labour contacts many overseas shipping lines seeking employment opportunities, a major obstacle, apart from automation, is the distance of Tuvalu from major shipping centres. It costs \$900 to fly a Tuvalu crew member to Singapore, \$1300 to Bangkok, and nearly \$2000 to Dubai.

#### 10.17 Overseas Labour and Remittances

The Government, through its Labour Officer, exerts remarkable power over the actions of its overseas seamen, which speaks volumes about the continuing strength of the authority of recognised leaders and the strength of the ethic supporting family and the community. In the first place, selection of young men to enter the MTS or to proceed to employment on overseas ships is very strict. The Swire Pacific Ship Management pay their Tuvalu seamen A\$401 cash each month. The seamen are only allowed to pocket \$25 in cash; the rest is deposited in a bank account. After six months or a year overseas, a seaman is allowed to draw the savings to use to help the family, to build a house, water tank or outboard motor boat purchase. If any seaman wastes the money earned, or attempts to stay indefinitely on Funafuti rather than return to his home island, his name is never forwarded again to any overseas employer. Only two or three people have had to be so punished; the rest comply with the expectations of the community to use the savings for the benefit of the family and community. As the Labour Officer puts it: "This is part of our culture that has been integrated into Government policy."

One of the major sources of money is remittances both from overseas, and from Funafuti to the outer islands. Remittances are sent in at least four ways: through the bank, the post office, as money sent in letters and as gifts taken by individuals when returning home. The volume runs into the hundreds of thousands of dollars (perhaps more), but it is impossible to estimate with any certainty.<sup>8</sup> It is undoubtedly a remarkably effective form of redistribution.



It was suggested that it was appropriate that a worker receiving say \$60 in a pay packet would send \$20 to his family on the home island, spend \$20 for his own cost of living and keep the remaining \$20 for his personal use.

#### 10.18 The Absence of Trade Unions

It was suggested that when Tuvaluans were part of the Gilbert and Ellice Islands Colony “we learnt the problems of unions.” No doubt the lessons of Tarawa's first painful general strike in 197 were not lost on Tuvalu. After Separation, trade unions were not welcomed in the new country and about 1977 the Tuvalu Government issued an edict “abolishing any trade unions”. The seamen of the country, encouraged by the Seamens Unions of Kiribati and Fiji have tried, without success, to set up a union in Tuvalu. The people have accepted the Government's ruling and no other attempt to establish unions has been made.

The remarkable discipline of the community and its loyalty to its chosen leaders, even if their actions might be unpopular, is shown in the restraint displayed over possible wage rises. The word “pressure” e.g. for a wage rise, is inappropriate in the Tuvalu context. People may “apply” for, or “request” a wage rise, and several applications have been made without success since 1980, in a period of high inflation. A 5% rise was granted at the beginning of 1984, but it was unthinkable that people would attempt to apply pressure. And there was a feeling of national solidarity, even sacrifice in the face of the country's precarious economic situation: “At Independence, Tuvalu had a debt of \$1½ million. So Government and the people fought together to overcome our obstacles.”

#### 10.19 Enterprise

With monetary sector activity dominated by the role of the Government and the Tuvalu Cooperative Society, there is only a very small private sector. The latter is, however, not dominated by part Chinese or part Europeans as in the case of Kiribati. A major recommendation of the Rural Socio Economic Survey of the Gilbert and Ellice was that the teaching of business skills, book-keeping, management and other practical and mechanical skills should not be monopolised by the Cooperative movement and confined purely to its officers and committee members. Tuvalu has made an excellent start in emphasising the importance of these skills through the community.

Another important body, established only in 1981, is the Business Development Advisory Bureau (BuDab). After doing preparatory ground work in 1982, the activities of the BuDab led to a massive upswing in business promotional loans in 1983. Up to July 1983 24 business development loans and 5 business overdraft guarantees have been given, making a total capital guarantee committed by BuDab of \$132,558. Of the 29 guaranteed transactions, 26 are fully operational guarantees. It is estimated that only 11% of the \$132,000 outlaid is at high risk. The nature of enterprise in Tuvalu and the role of BuDab is indicated in Table 10.5.

Although business lending is a large part of BuDab's role, it plays a valuable part in a purely advisory and servicing role as well.

It can be seen in the table that most enterprises in Tuvalu are not economically productive in the strict sense of adding to the total stock of capital in the country, but merely recirculate existing capital. However, there are some exceptions, as industries 1, 5 and 9 indicate, while others are useful in adding local value through processing or providing an essential service.

TABLE 10.5  
Loans Granted to Enterprises in Tuvalu by Business Development Advisory Bureau (up to July 1983)

|    | Type of Industry     | No | Total Value | % of available funds |
|----|----------------------|----|-------------|----------------------|
| 1  | Fishing Industry     | 11 | A\$10,908   | 2.18                 |
| 2  | Retail               | 3  | 25,000      | 5.00                 |
| 3  | Cinema               | 4  | 11,700      | 2.34                 |
| 4  | Ice Cream Parlours   | 2  | 10,500      | 2.10                 |
| 5  | Poultry Farms        | 2  | 5,800       | 1.16                 |
| 6  | Bakery               | 1  | 5,500       | 1.10                 |
| 7  | Bus Service          | 1  | 9,750       | 1.95                 |
| 8  | Cafes                | 1  | 8,000       | 1.60                 |
| 9  | Coconut Oil Expellor | 1  | 35,000      | 7.00                 |
| 10 | Mobile Disco         | 1  | 1,500       | 0.30                 |
| 11 | String Band          | 1  | 3,500       | 0.70                 |
| 12 | Pool Hall            | 1  | 5,000       | 1.00                 |
| 13 | Construction         | 2  | 12,500      | 2.50                 |
| 14 | Screen Printing      | 1  | 3,500       | 0.70                 |
| 15 | Tailors Shop         | 1  | 8,500       | 1.70                 |
|    |                      | 33 | \$A156,658  | *30.33%              |

\*These are the total amounts granted

#### 10.20 Cooperatives (Fusi)

The Cooperatives, or Fusi, play a crucial role in the economic life of the country. The country inherited a sound system of separate, island based consumer and marketing societies from the former Gilbert and Ellice Islands Colony and the system was not changed till a year after separation. By 1977, however, the societies had degenerated somewhat and were losing a lot of money. Amalgamation then occurred into one overall structure. Each island still has a primary society and store but the control has been unified. The consumer side consists of eight branches (3602 members) on the eight islands with a representative each on the management committee. This makes up the Tuvalu Cooperative Society Ltd. A parallel organisation (the Tuvalu Cooperative Copra Society) manages the copra side, with three members representing the copra cutters. Since the amalgamation the movement appears to be healthy; on the consumer side the number of members has grown although on the copra side, the number has fallen a little.

The whole organisation represents control by the members and their management committee to a remarkable degree as permanent staff are very few. An auditor travels around the islands

every two months to check the state of the primary societies. Apparently little embezzlement, double selling of copra, issuing of secret credit to relatives, or other malpractice occurs. The only recent case that has occurred involved the manager of the Funafuti warehouse, who had to be dismissed.

The Cooperatives Officer visits each island for two weeks or so each year for training in management and book keeping and brings staff in to Funafuti for training courses. Committee members visit Funafuti at least three times each year. The main problems are lack of staff and lack of finance.

People of Vaitupu, assisted by a loan from the Business Development Advisory Bureau and a Peace Corps volunteer, formed the Vaimoana Oil Cooperative Society in October 1983 for extracting coconut oil and making coconut meal. The former is intended for cooking, the latter is feed for pigs and goats. While production is initially for the local market, there are hopes for export to Fiji if the venture is a success.

The Fusi has also performed a very valuable role in assisting with the marketing of local vegetables in the Funafuti market. To date some success has been achieved in encouraging outer islanders to grow taro and fresh coconuts for Funafuti. Small quantities of tomatoes, cucumbers and pumpkins have also been produced. The T.C.S. has been reluctant to buy pulaka to send on to Funafuti because of problems of storage, but has now agreed to purchase it. While the local produce marketing scheme is still in its early stages (see section 10.15 above), it is making an encouraging start. Some people in the outer islands may currently be making \$50-\$100 annually from vegetable growing.

TABLE 10.6  
SALES OF TUVALU COOPERATIVE SOCIETY LTD  
(1/4/82 - 31/3/83)

|                             |                  |
|-----------------------------|------------------|
| Societies' sales            | 2,027,850        |
| Warehouse sales             | 305,544          |
| Total Gross sales           | 2,333,394        |
| Less discount allowed (10%) | <u>5,857</u>     |
| Total Net Sales             | 2,327,537        |
| Less Cost of Sales          |                  |
| Gross cost of sales         | 2,822,294        |
| Less closing stock          | 1,006,009        |
| Net cost of sales           | <u>1,816,286</u> |
|                             | <u>\$511,251</u> |

Sales thus represented a mean of \$142 per member. The total of societies' share deposits in 1982-83 was \$153,411 or a mean of \$43 per member.

#### 10.21 The Fusi and Nutrition

In spite of the business sense that the Fusi inculcates, the services that it offers and opportunity that it provides members to earn a dividend, the broader social role of the Fusi must be

questioned. Essentially the main aim of the movement is to make money and this will inevitably lead to policies that emphasise fast moving retail lines. Thus the role of the Fusi over time is to promote the evolution of a “consumer society” and an increasingly import dependent country. This entails the increasing dependence of Tuvaluans on a poor quality diet of “European foods” such as flour, rice, biscuits and sugar instead of their more nutritious traditional staples. “Development” then increasingly means “under development” in the sense of the decline in nutrition and health standards that must result. It is to be hoped that the Cooperative movement will recognise this problem and the responsibility the organisation has and attempt to promote sales of nutritious goods such as milk powder, and capital items needed in the outer islands.

#### 10.22 Importing and Procurement

When importing peaked in 1980, it appeared that per capita imports were running at nearly \$390 per capita. The UNCTAD (1983) study<sup>9</sup> on import planning and procurement recorded the 1981 volumes per capita as follows:

|              |           |
|--------------|-----------|
| Sugar        | 38 kgs    |
| Beer         | 6 litres  |
| Fish         | 4 kgs     |
| Motor Spirit | 32 litres |

The UNCTAD study found that Tuvalu's location, far away from the principal trading centres with small quantities required for procurement and also lack of regular and adequate shipping facilities cumulatively makes the effective and efficient supply of goods a demanding and difficult task.

The Tuvalu Cooperative Wholesale Society (TCS) handles approximately 50% of the country's total imports, with most of the rest procured by the Government Store Keeper (GSK). The TCS has four purchasing agents overseas - one each in Sydney, Suva, Auckland and Osaka. 80 per cent of TCS imports originate in Australia and Fiji.

The UNCTAD study found that piecemeal buying was a common practice instead of long term contracting with physical deliveries spread over the period. Even for bulk commodities like rice, flour, cement, whose prices differ widely, no judgement is exercised in determining the most appropriate time to cover estimated annual requirements.

At present, bulk items like flour, rice, cement and timber are being imported separately by either TCS or GSK or the private sector. Instead of achieving co ordinated procurement and shipping by one agency, fragmentation of procurement occurs, with small quantities and high shipping costs raising their cost. More serious is the fact that most purchases are made by indicating favoured brands without quoting the usual specifications; hence it is very difficult to evaluate the competitiveness of offers received through agents. The UNCTAD study recommends that TCS and GSK should identify essential items or those of high value and then invite at least three quotations from each of the purchasing agents to determine the most appropriate source. Although the danger of possible transfer pricing might have to be guarded against, it might be advantageous for TCS to consider pooling their imports of some key items with the Fijian Cooperative Society to gain the price advantage from larger quantities.<sup>10</sup>

### 10.23 Shipping

The system of shipping services for Tuvalu improved considerably about 1977-78 and has not changed substantially until early 1984. Table 10.7 shows the list of shipping which visited Funafuti in 1983. The list shows that the link with Australia (4 visits) and New Zealand (5 visits) is about the same. However, the most important service of all is provided by the Pacific Forum Line vessel Moanaraoi (chartered from Kiribati Government) which does the Tarawa-Funafuti-Suva and return run. In 1983 this vessel made 10 calls to Funafuti. In the view of the Manager of the TCS the Moanaraoi is about the right size for Tuvalu's import needs (392 tonnes) with about the right freezer capacity. With respect to exporting, a cargo of 100 tons of copra is the minimum inducement for the Moanaraoi to call at Funafuti during its Tarawa-Suva run.

The most important external link was the Karlander Line from Australia which sent a vessel about every 90 days. There was the occasional call of a Warner Line vessel from New Zealand (Vili) and the basic service of the PFL feeder line vessel Moanaraoi. There is the view that the TCS and GSK probably spread their imported cargoes amongst these four or so vessels that visited Funafuti, and so diluted the tonnage as to make the position unsatisfactory from the viewpoint of the shipping firms. TCS can only fill 200-250 tons and Government and private importers another 50-70 tonnes.

The Karlander Line stated that they regarded 500 tonnes as their minimum acceptable cargo for their vessel. In fact they had been carrying substantially less, and early in 1984 they announced suspension of their April sailing. This would be a serious blow to Tuvalu, if it were to remove the direct Australian link, reducing options, and making the link with Fiji and only dependable connection with the outside world.

The alternative option is that the Australian line will reduce the frequency of its shipping service, or press for a greater proportion of Tuvalu's imports to come from Australia. The latter would be stoutly resisted by Tuvalu which finds many New Zealand products (especially building materials) substantially cheaper than the Australian.

Before the firm in Auckland that processed coconut oil closed down, Tuvalu valued the shipping link with Auckland. However, this ceased after the firm's closure. The Vili (887 tonnes) which plies from Auckland to Suva, brings cargo but double handling is involved in trans-shipping on to the Moanaraoi in Suva. The Minister of Finance has asked the PFL to look at the handling costs involved. The Vili takes sugar back to New Zealand from Fiji.

The freight rates between Australia and New Zealand to Funafuti are shown in Table 10.8. It shows that freight rates to Tuvalu are a little cheaper from New Zealand than from Australia for general cargo and substantially cheaper for cement.

### 10.24 Health and Nutrition

In general, standards of health are quite good. With a per capita expenditure on health of only \$33, a reasonable basic health service is provided. Each outer island (except Nuiakita) has a Dresser and Nurse to cater for the population (one nurse per 280 of population). The water and sanitation project is going well and currently about 75 percent of all houses in the country are

provided with latrines. The continuing high incidence of diarrhoea (with influenza the most common illness and main

TABLE 10.7  
SHIPPING VISITING FUNAFUTI, 1983

| Date     | Ship                    | Shipping Line          | Capacity in tonnes |
|----------|-------------------------|------------------------|--------------------|
| 28 Jan.  | Te Marui                | Kiribati Govt          | 72.5               |
| 28 Jan.  | Tautuna                 | Kiribati Govt          | 72.5               |
| 2 Feb.   | Kyosei Maru             | Karlander Line (Aust.) | 5,446              |
| 16 Feb.  | Moanaraoi               | PFL                    | 392                |
| 15 Mar.  | Vili                    | Warner Line (N.Z.)     | 887                |
| 20 Mar.  | Moanaraoi               | PFL                    | 392                |
| 23 Mar.  | Pacific Explorer        | Oil Tanker             | 595.6              |
| 2 Apr.   | Nivaga                  | Tuvalu Govt            | 163.5              |
| 5 Apr.   | Windorobo (Yacht)       |                        | 6.7                |
| 6 Apr.   | Mosman Star             | Karlander              | not known          |
| 20 Apr.  | Moanaraoi               | PFL                    | 392                |
| 24 Apr.  | Vili                    | Warner Line            | 887                |
| 13-May   | Nanook (Yacht)          |                        | 8.2                |
| 13-May   | Tiki (Yacht)            |                        | 5                  |
| 21-May   | Slow Dancer (Yacht)     |                        | 12.5               |
| 28-May   | Maonaraoi               | PFL                    | 392                |
| 29-Jun   | Pacific Explorer        | Oil Tanker             | 595.6              |
| 8-Jul    | Te Tautai (Tuna vessel) | Tuvalu Govt.           | 53.1               |
| 11-Jul   | Moanaraoi               | PFL                    | 392                |
| 11-Jul   | Moanaraoi               | Survey vessel          |                    |
| 21-Jul   | Asia (Yacht)            |                        | 13.5               |
| 24-Jul   | Vili                    | Warner                 | 887                |
| 27-Jul   | Nivaga                  | Tuvalu Govt            | 163                |
| 29-Jul   | Don Antonio             | Nauru                  | 3120               |
| 17 Aug.  | Moanaraoi               | PFL                    | 392                |
| 3 Sept.  | Nei Nomi                | Kiribati Govt          | 143                |
| 20 Sept. | Te Tautai (Tuna vessel) | Tuvalu Govt            | 53                 |
| 20 Sept. | Vili                    | Warner                 | 887                |
| 26 Sept. | Le Maripier (Yacht)     |                        | 22.5               |
| 30 Sept. | Aena (Yacht)            |                        | 9.5                |
| 23 Oct.  | Moanaraoi               | PFL                    | 392                |
| 31 Oct.  | Pacific Explorer        | Oil tanker             | 595                |
| 3 Nov.   | Lake Star               | Karlander              | 13,338             |
| 7 Nov.   | Moanaraoi               | PFL                    | 392                |
| 8 Nov.   | Tanaroa (Survey ship)   |                        | 296                |
| 8 Nov.   | Fourth Division (Yacht) |                        | 14                 |
| 18 Nov.  | Sintra (Yacht)          |                        | 51                 |
| 20 Nov.  | Moanaraoi               | PFL                    | 392                |
| 12 Dec.  | Moanaraoi               | PFL                    | 392                |
| 16 Dec.  | Vili                    | Warner                 | 887                |
| 18 Dec.  | Nivaga                  | Tuvalu Govt            | 163                |

cause of death) suggests however that not all people use the new latrines. Health education programmes are well catered for by a team which visits outer islands almost every month and by medical broadcasts twice a week.

TABLE 10.8  
FREIGHT RATES IN TUVALU, 1984

| Commodity description |                | Australia-Funafuti Karlander Line | New Zealand-Funafuti Warner Pacific Line |
|-----------------------|----------------|-----------------------------------|------------------------------------------|
|                       |                | A\$166/m + 8.39% BS + 5.92%       |                                          |
| 1                     | General Cargo  | CAF                               | NZ\$160/m + 9.5% CAF                     |
|                       | Refrigerated & | A\$210/m + 8.39% BS + 5.92%       |                                          |
| 2                     | Chilled Cargo  | CAF                               | NOT KNOWN                                |
|                       | Hazardous      | A\$230/m + 8.39% BS + 5.92%       |                                          |
| 3                     | cargo          | CAF                               | NOT KNOWN                                |
|                       |                | A\$166/m + 8.39% BS + 5.92%       |                                          |
| 4                     | Cement         | CAF                               | NZ\$120/m + 9.5% CAF                     |
| 5                     | Timber         | NOT KNOWN                         | NZ\$120/m + 9.5% CAF                     |

BS=Bunker surcharge, added when oil price increased.

CAF=Currency Adjustment Factor, due to revaluation of Australian dollar.

Although sanitation appears to be generally satisfactory and most households scrupulously sweep their compounds to keep them tidy each day, a long incidence of hook worm affecting 20-30 people on Nuilakita in 1983 has given cause for concern.

A growing cause of death in 1983 was tuberculosis (8 deaths) and heart disease (11 deaths). Although a good nutritional study has not been done in the country, the Medical Officer accepts that there is a steady rise in illnesses or poor health induced by a poor diet and greater reliance on imported starches and sugar instead of traditional staples. These are the classic diseases of Westernisation of the lifestyle. Obesity and hypertension are growing problems. A survey of diabetes carried out in 1976 in Funafuti revealed that of a sample of 579 people tested, 45 people (7.8%) had diabetes and 34 (5.9%) were borderline cases. Of the 45 diabetics only 5 were previously known to have the condition (Zimmet, 1976).

While the situation has not reached the epidemic proportions seen in Tahiti, Hawaii, Nauru or the New Zealand Maori, the question of the effects of urbanisation on Polynesian and Micronesian populations needs to be studied in depth. The solution lies within the whole programme of socio-economic development of the nation.

#### 10.25 Current Government Strategy

A strong note of restraint, austerity, even sacrifice, is apparent in current policies and this was emphasised by the Prime Minister and Minister of Finance in interviews. The Prime Minister stated that "As a Government, we have to tell the people what is good for them. If they don't like it they can look for someone else." The feeling of relative deprivation appears to be strong in Tuvalu, as illustrated by the loss of the internal air service. The air service was said to have "boosted the morale of the people" and made them feel that "they were the same as other countries which can afford an internal air service."

The accent above all of the Minister of Finance's statements, is on the necessity for control. The country suffers from an acute lack of resources and it is a very great struggle to make ends meet. Tuvaluans will have to decide themselves what they can and cannot afford, and face the consequences. It is important for people to work hard, to improve their own gardens and only call for imports when absolutely necessary. There was an implication that Tuvaluan wants and aspirations had expanded faster than the local capacity to satisfy them. There was a need to make people more productive but traditional habits of people on outer islands changed only slowly. The Minister of Finance concluded his 1984 Budget speech with a message for 1984: "We must rise up and face the challenge to survive through our own efforts."

#### 10.26 Revenue and Expenditure

Not only has the United Kingdom cut its budgetary aid by \$25,000 to \$925,000 in 1984 but the U.K. Minister of Overseas Development wanted half of the current budget surplus for 1982, amounting to \$106,762 to be paid into the Development Fund as opposed to reducing its budgetary aid by this sum. (Such action does of course reduce the Tuvalu incentive to make a surplus). Thus Tuvalu had to find an additional \$131,762 for 1984 although inflation has been running at 9.6 to 9.8 percent.

An additional setback, after the earlier success of philatelic sales capitalising on Royal events, was the lower stamp sales. The net profit for 1983 was about \$250,000 lower than anticipated. On the other hand, a new agreement with the American Tunaboat Association is expected to bring in higher licence fees from 1985. Company tax was increased from 25% to 30%. Another factor is the return of Sidney Gross moneys; high hopes are held that Gross will at last fulfil his promise in early 1984 to return several hundred thousand dollars of the former reserve funds.

The major sources of revenue are the charges of Government services such as telecommunication, electrical and marine divisions; philatelic revenue; customs duties, fisheries licence fees. Fees, charges, fisheries licenses and philatelic profits represent about half of the Government revenue base, with the balancing being provided by the grant-in-aid (26%) and taxation (22%).

The estimate of Government recurrent expenditure for 1984 is almost \$3.6 million.

#### 10.27 Import Substitution

Government has undertaken policies designed to stimulate local industries, especially fisheries and agriculture by achieving greater import substitution. Duty on petroleum was reduced by 50% in the 1984 Budget. Oil is duty free, as are outboard motors, fishing boats and equipment and fishing gear. Duty on tinned fish was raised from 40-75%, imported fish from 59-75% and sugar from 9c to 12c a kg.<sup>11</sup>

The Prime Minister stated that the main task of his Government was to distribute more resources to outer islands. He saw an over concentration on the development of Funafuti as a major reason for the defeat of the last Government. Local production must be encouraged on the outer islands, and the Government was delighted to hear of the recent spectacular increase in sweet potato production achieved experimentally on Vaitupu by the Department of Agriculture as a result of applying trace elements as well as major elements of artificial



fertilizers. Dr Puapua was concerned that people of both sexes and all ages should have access to cash earning on the outer islands. Young men could cut copra or apply to the MTS to be trained as overseas seamen. Older men could plant taro and pulaka, increasingly, he hoped, for sale to the “town” of Funafuti. The girls and older women could make handicrafts (mats, fans etc.) for sale. He was pleased that the Fusi had organised the marketing of outer island produce for delivery to Funafuti. He saw that it was important for him to regularly visit the outer islands, for talks with the island councils, the Fusi and the people. If the policy was successful, more people would remain in the outer islands rather than migrate in to the already over crowded Funafuti. He saw that social and cultural factors were also important; thus Island Nights, dances and movies operated by the Fusi played their part in helping to make the outer islands more attractive places in which to live. The current new housebuilding, water tank and sanitation programmes (new latrines) were making major contributions toward this goal.

## 10.28 Aid

As we mentioned, overseas aid to Tuvalu represents a very large proportion of total revenue, or anything from 50% to over 120% of GDP. In 1982, Tuvalu received A\$8 million in all forms of aid, which for a population of 8000 people represented \$1000 per head.

Aid does, of course, involve questions of power and indeed ethics. It is asserted at a high Government level that donors such as Britain, Australia and New Zealand do at time push their ideas too strongly, and sometimes, Tuvalu is forced to accept their terms. (See the topic of future fisheries aid, 10.11). The visiting aid mission of one country in 1983 was criticised for taking “too global a view” on aid and for dismissing small projects that were believed to be adjusted to Tuvalu's distinctive conditions. All countries can be guilty of this at times; for instance over the Community Training Schools project, it is asserted that New Zealand tried to insist that certain materials ordered were not needed. “But the local people insisted that spades, forks etc. were needed.” But on the whole, New Zealand's record is very good. “Where other donors insist, New Zealand only discusses, and never imposes.”

Even in these post-colonial days, not all expatriates adjust fully to the Tuvalu scene. While most are well accepted, some are criticised; it was asserted for example that “there are some expatriates who don't invite any Tuvaluans to their houses, but only entertain other expatriates.” And senior Tuvalu leaders are critical of overseas “experts”, who only come for a week or two and who make little effort to get to know the country in depth: “Tuvalu people know their own problems they are the experts. We only need overseas experts to tell us what is available in overseas technology that is appropriate to our conditions.”

Tuvalu leaders are determined to use aid moneys wisely and in ways that are less likely to induce dependence. Thus, in 1978 the Chief Minister expressed the view that Tuvalu would prefer that New Zealand technical assistance concentrate on one or a few projects rather than run the risk “of spreading the butter too thinly.” It has become increasingly obvious to the Tuvalu Government that capital aid projects that incur substantial recurrent costs through maintenance or upkeep costs fail to tackle the “viability” problem:

“While aid from the United Kingdom, Australia and New Zealand is greatly appreciated, other than A\$950,000 from the

United Kingdom, all aid is for capital projects. Tuvalu's main financial problem is however with its recurrent budget. Aid projects that take pressure off the recurrent budget are therefore of great value to Tuvalu...". (NZHC, Suva to SFA 3/2/83, 118/13/115/17).

The Hon H Naisali, Minister of Finance and Deputy Prime Minister is only interested in what he calls "effective aid" or aid that will not serve to aggravate Tuvalu's problems at a later date through maintenance costs. The Minister of Finance regards all aid as tied in some way or other. Not all aid is good and most projects bear costs, not always foreseen. He is very cautious over aid and before any proposal goes out on a project he asks, "How much revenue will it generate?" But he cannot stop social and administrative projects, for the country still needs to build up its infrastructure in spite of the transformation of Funafuti over the last 10 years.

Unfortunately, the heavy costs involved in overcoming isolation are inescapable if Tuvalu wishes to live in the modern world. Thus Tuvalu has on a number of occasions requested New Zealand aid to pay for transport costs. The case of the internal air service illustrates many aspects of Tuvalu's dependence and some of the intractable problems involving aid to a remote and tiny island archipelago.

#### 10.29 The Internal Air Service

Promotion of a sense of national unity and identity and the balanced development of all islands are important objectives for the nation as a whole. This involves a system of internal transport enabling access to and from the main island of Funafuti. However, the Government ship Nivaga on which the internal shipping system solely depends, was already aged when acquired at the Separation settlement and has since become so decrepit as to be barely sea-worthy. Perhaps the extension of the internal air service in neighbouring Kiribati to almost all islands encouraged Tuvalu to follow suit, although the possibility that it would pay for itself was even less likely in the case of Tuvalu.

Negotiations began with Sea Bee Air in 1977, and after the firm pruned its proposals to the limit, an agreement was reached so that a service using a Grumman Goose amphibian aircraft began in 1981. It operated initially for a trial period supported by British aid funds. The service was popular and greatly appreciated by the Tuvalu people, but extremely costly. The biggest single problem was under-utilisation and thus heavy losses were incurred.

For a considerable period it became obvious that the Government would have to secure aid funds to cover the losses, the cost being of the order of \$400,000; indeed, it was stated that it was a "question of life or death" politically for the Minister of Finance to secure such support from either Australia or New Zealand. While New Zealand considered assisting by purchasing a Sea Bee Goose plane on a joint financing basis with the United Kingdom, such a step was seen as perhaps deepening Tuvalu's dependence:<sup>12</sup>

"We would be very reluctant to be drawn into supplementing operating costs as we think support of this nature can serve to

create dependence and obscure the true costs of such an operation.”

When support from Australia and New Zealand was not forthcoming, and it was apparent that British support would not continue beyond August 1983, the Government considered for a time purchasing a Goose aircraft and operating it under charter. This also was too costly and finally the Minister of Finance took the sensible, but politically unpalatable decision to suspend the internal air service, since the two and a half year trial period had shown conclusively that the service was beyond Tuvalu's financial resources.<sup>13</sup> The Minister of Finance declared that he was “doing what was good for his people in the long run, knowing that he would not care two hoots if he was not re-elected”. In taking this tough decision he said, “In reality I know I have to be practical. I am the silliest person under the sun if we can't pay for the service.” In March 1984 the Minister of Finance told the Team that “he was almost blown out” of Parliament when he announced the decision and members shouted for him to resign. But he reiterated that he would do what had to be done in the nation's benefit even if it meant defeat in the next election.

At the same time Tuvalu has tried to press ahead with all possible speed to consider setting up a land-based air service which would be considerably cheaper. On two islands, airstrips were built during the War; on others, it is envisaged that only very basic airstrips would be needed. Britain has agreed to finance a feasibility study in 1984 which will study all aspects of a land based air service. The Government fears that this too will not prove to be economic. With the cessation of the air service the woeful inadequacies of the internal shipping service provided exclusively by the Nivaga, has been emphasised. The Nivaga can sail only in fine weather; in 1982 it made 31 voyages, carried 1323 tonnes of cargo as well as several thousand passengers, and had a time utilisation ratio of only 41.5%. The annual operating subsidy (excluding the cost of annual overhaul) paid by the Government is approximately \$100,000. Although Britain offered some years ago to provide a replacement vessel, specifications were not completed in 1983 and funds for the vessel are not likely to become available till late 1985. In the meantime, there is always the possibility that a disaster may befall the decrepit “Nivaga”. New Zealand is reported to be agreeable to assist with the costs of chartering a vessel should one become necessary at around A\$1000 a day.

It is likely that a new comprehensive transport study will assess the likely costs and benefits of a one or two ship transport system, complemented perhaps by an internal land-based air service.

Although Tuvalu has escaped the fate of growing “dependence” through the financial millstone of a costly seaplane service, this has been achieved only at the price of increased isolation. And the option of a land based air service, if this way out is chosen, may plunge the country again into further debt and financial dependence.

#### 10.30 International Air Transport

Regional co operation in a commercial sense is not always smooth as illustrated by the decision of Air Pacific in 1982 to withdraw the Fiji Tuvalu air link with only two months notice, a period that Tuvalu found to be too short to make alternative arrangements. As the

Third Development Plan states (p 22-5), “without an international air service the development of this country would be almost impossible.” The threatened cessation of the two flights a week link with Fiji would have left the country with no direct link to the outside world, except for the once weekly link with Tarawa in the north, provided by Air Tungaru. Yet Air Pacific were suffering a loss of F\$226,000 a year, the Bandeirante plane was expensive to operate, and fares would have needed to double with no loss of patronage for the firm to break even. The 1100 km route was taken up by Fiji Air for the expensive fare of F\$450 (NZ\$636) return and the Tuvalu Government was expecting to have to pay A\$120,000 after 15 months operation (\$1000 on each return flight). The Minister of Finance was seeking an aid donor to pay this sum.

In 1984, however, a U.K. advisor pointed out that the earlier Kingair and Bandeirante planes had been too expensive to purchase or to operate. A much more appropriate plane was the Cessna 404 currently operated by Fiji Air on the Suva-Funafuti run. It cost only about \$300,000 and took about 6 passengers on the three flights a week. Fiji Air are reported to have made a profit of about \$80,000 on the run last year.

#### 10.31 Technological Change, Training and Self Sufficiency

Underlying issues of development assistance is the matter of scale, and very often the matters of efficiency or waste, of training, continuity and self sufficiency. These issues are illustrated by the case of the Funafuti power station, constructed with the help of New Zealand aid. In 1980 a New Zealand consultant reported on the poor fuel efficiency of the power station. The power station had been run with two machines, but when the demand for power dropped, two machines were running when only one was required. Such an operational problem, very common in developing countries, was likely to worsen with the addition of an extra machine. But issues of training and continuity were also involved:<sup>14</sup>

“In essence the problem is caused by the yearly replacement of the technician. During the term of one year, the technician does not gain sufficient confidence or experience in the operation of the equipment to enable him to train the power house operators in good machine management. The technician in his second year would be competent and confident to train operators to the stage where the training function would become self sustaining with the operators training their own new staff. The current situation will be completely unsatisfactory with the additional fifth machine, as proper management will be essential if fuel efficiency is to be maintained. The recommendation should be that either this technician stays a further year or the proposed position of an electrical officer on the island be filled before the new machine is commissioned.”

This problem, in varying forms, reappears frequently in developing countries. It is of course obvious and essential that the introduction of new technology not outrun the capacity of the local society to operate and service it efficiently. But the new technical skills must be passed on rapidly to more than one operator, so that the whole enterprise can quickly become self-

sustaining. If this is not achieved technological dependency, and dependency on specific skills deepens. Of course sophisticated technology, for all its great technical efficiency, brings problems of its own, apart from costs of maintenance, training, continuity in technical skills and the like. The very scale of the innovation can cause difficulties and it can upset the local scene, encouraging unrealistic local demands and expectations. Electric power has no doubt been regarded as a great asset on Funafuti, but users were upset in 1979 when the charge for power was increased from 14 cents to 18 cents a unit. It became a politically sensitive issue. However it is interesting to note that such an expensive facility (over \$2 million worth of equipment) is operated by a technician who received in 1983, a salary of only 71 cents an hour.<sup>15</sup>

#### 10.32 Pattern of N.Z. Aid and the Local Context

Since New Zealand has had only limited funds available, there appears to be little overall pattern in the New Zealand aid programme to Tuvalu. The Prime Minister, Dr Tomasi Puapua in March 1984 pointed out that Tuvalu doesn't like a fixed pattern in aid: "Our needs are so unpredictable." (The vagaries of the country's source of revenue, whether from philatelic sales, changing policies of donors, or employment policies of overseas shipping firms, certainly support this). But the country is certainly very appreciative of development assistance: "New Zealand has been very sensitive to our needs." A considerable effort has been made by visiting aid missions and by visits from the Suva High Commission to appraise local needs and to tailor aid to the distinctive conditions of these tiny, remote islands. Thus the bilateral aid programme (BAP) recommended for the 1977-79 period comprised the following:

- “(i) Provision of tractors, trailers, boats and motors to assist with development of copra production.
- (ii) Continued assistance with the supply of rat poison to reduce coconut losses.
- (iii) The provision of fish freezers to improve marketing of fish.
- (iv) The supply of vocational training equipment.<sup>16</sup>

Reef passage construction was one of a number of forms of assistance provided under the South Pacific Regional Programme. The above programme was appropriate and sensible on the whole, though full evaluation of the effectiveness of an aid programme involves many factors. Not least is an understanding of the full context - environmentally, socially and economically - in which the aid innovations will have to fit. Thus while rat poison (ii, above) brought some benefits in eliminating rat pests and perhaps in increasing nut supply, the real problem in lifting copra production is to increase the incentive to harvest the large numbers of nuts that are often left on the ground. Transport assistance such as the provision of handcarts, and tractors, trailers and boats as in (i) above, and opening more buying points, might provide such an incentive and so be a much more effective form of aid.<sup>17</sup>

New Zealand aid is much appreciated in that it is quicker arriving compared to that from Britain or Australia. British aid is said to require very detailed planning and accounting and

Australian aid is also regarded as bureaucratic. Tuvalu is still waiting for a fish market which Britain promised to fund as long ago as 1979. New Zealand is believed to be most responsive to Tuvalu's situation. The New Zealand High Commission in Suva was described as "very good" and officials came in for high praise. At the time of Tuvalu's acute liquidity crisis in 1981, although New Zealand was not able to provide budgetary aid, the sympathetic support of the retiring Minister of Foreign Affairs, Hon. B. Talboys, was very much appreciated.

The view was expressed that the New Zealand High Commission in Suva should be given more autonomy and authority to approve projects, say up to \$50,000. The position should be "that if I trust you to be High Commissioner in Suva, I can trust you to make a sound decision." There is merit in the suggestion, though in practice, projects up to \$50,000 might often involve technical issues that need to be checked by an appropriate Government specialist in New Zealand.

An excellent feature of the BAP to Tuvalu is the Small Projects fund of the Tuvalu New Zealand Development Corporation which considers small grants which are appropriate to this scale of activity:

#### Criteria

"Projects under the Small Projects Fund should maximise involvement of villagers themselves through financial and/or other local contributions to ensure a significant self help element. They need to meet as many as possible of these objectives:

- (a) Promote economic or community development with preference for projects in outer islands, but not excluding projects of benefit to Funafuti village communities.
- (b) Encourage the introduction and use of appropriate or relevant technology.
- (c) Provide facilities which improve the standard of life on outer islands and/or provide jobs.
- (d) Utilise the supervisory services of existing government or non government agencies."

This list of criteria is indeed exemplary. The objectives are admirable but in practice it is very hard to find projects which do in fact contribute in a substantial way to attaining these worthy, if very generalised, ends. How can jobs be created? What intermediate technology works and is acceptable on an outer island? Whose definition of development (New Zealand or Tuvaluan) are we using? And, as we have noted above, "improvement of the standard of living" may be something of a two-edged sword, for income gains in the short term increase the import bill. There is a clear need to harmonise personal and national needs over time.

New Zealand does need to ensure that a greater proportion of its aid is spent in outer islands. To date an overwhelming proportion would have been spent in Funafuti, and while the initial needs to establish infrastructure are understandable, this should not continue indefinitely. It is

surprising that only about 50% of the Small Projects Fund, which would appear to be more suited to outer island conditions, has been spent on the outer islands compared to Funafuti. However, willingness to build a labour cost into small project fund schemes seems to be worthwhile, providing a greater inducement for people to remain in outer islands.

With the British announcement that its 1984 allocation to Tuvalu is reduced by \$25,000 to \$925,000, and that a further \$50,000 reduction is expected in future years (Budget Speech, 1984), there will be increasing pressure on Australia and New Zealand to do more. More requests will come for rather larger projects, often in the \$75,000-\$100,000 range. This has already begun with requests over the fisheries complex, housing on outer islands and water tanks for outer islands.

### 10.33 The Question of Budget Aid

In late 1981 the financial situation in Tuvalu became critical following the Sidney Gross affair and the effects of the world recession. Tuvalu was expected then soon to reach its overdraft limit of \$1.5 million and help was needed if it was to be able to continue paying salaries and meeting normal government expenditures. The Minister of Finance made an appeal to Britain, Australia and New Zealand for assistance.

At this time this request was viewed by New Zealand as “a gloomy portent of things to come”, for W. Samoa had approached Australia for assistance over their balance of payments and Niue was also in a parlous financial situation. It was expected that Kiribati and Tonga as well as the Cook Islands would, over time, seek increasingly non-project support of this kind.

The Tuvalu Government has argued that New Zealand should give Tuvalu special consideration, on account of its unique circumstances, and therefore increase our aid and administer it more flexibly. To date, however, New Zealand has always declined to provide budgetary aid, confining this to the three countries which have a special constitutional relationship with New Zealand: the Cooks, Niue and Tokelaus. Tuvalu sees it as a matter of misfortune that she has had historical ties with Britain, which is now withdrawing its presence and its aid funds from the Western Pacific. The Tuvalu Minister of Finance has argued that although New Zealand's ties with the Cooks, Niue and Tokelaus warranted some special treatment of them, it was discriminatory nonetheless for New Zealand to say it could not help other small South Pacific countries appealing for budgetary aid merely because of our historical ties. He was not asking for equivalent amounts, merely flexibility.

The New Zealand Minister of Foreign Affairs has declined to grant budgetary aid, seeing that it would constitute a precedent to extend it to a country to which New Zealand does not have special obligations because of a constitutional relationship. There appears nevertheless to be a good case for budgetary aid under special conditions which would not be regarded as a precedent. As the New Zealand High Commissioner in Suva argued:<sup>18</sup>

“The answer to the question of whether or not to provide Tuvalu with budgetary aid depends on a prior determination of what form of external assistance will be of greatest help to Tuvalu. There may well be forms of budgetary aid, limited in time and scale, which

could be thoroughly justified, and which would serve to enhance sound financial management. ... there are already grounds for confidence on this last point.”

It is important, of course, that countries such as New Zealand assist with the provision of key specialist positions, such as economic planning and training, to ensure that the current sound financial management is fully maintained. But Tuvalu's budgetary problems are aggravated not only by its extreme poverty and precariousness as an economy, but by the spirit of enterprise and achievement orientation, which it appears to exhibit to a more pronounced degree than its rather more traditional neighbour to the north, Kiribati. These may be admirable qualities but they do raise the possibility that aspirations are developed that outrun the “nation's” capacity to satisfy them, leading ultimately only to frustration and a sense of impotence. In the years leading up to Independence the liberal policies of aid donors and the general optimism of the time fanned unrealistic hopes that were later doomed to be dashed. Indeed perhaps the best aid in the long run is assistance which does not fan implausible hopes and unrealistic goals.

#### 10.34 Conclusion

Early in this chapter we put the essential question posed at Independence of the kind of country that Tuvalu should try to become in the years ahead: a traditional settlement of yesteryear of “happy smiling people living in leaf huts and lavalavas” (termed a “stoneage oasis” by an expatriate administrator) or a nation equipped with a modern infrastructure comparable to that in neighbouring countries. The Tuvaluans and their expatriate advisors opted for the latter, but the question was, of course, unfairly polarised. And it is not at all clear that the British who set up the procedures that led to the separation referendum and later self-government and independence, spelt out sufficiently fully and carefully what the full costs of independence with a modern infrastructure would involve. There is no doubt that the Tuvaluans wanted separation from Kiribati, but they could hardly foresee that British aid, after the large grants of the Independence period, was likely to sharply contract in size. In supporting this goal, it can be argued that the British at least implicitly underwrote for many years to come, and perhaps permanently, the costs of creating such a machine age oasis - indeed the costs of becoming modern.

Of course, it is overly simplistic to contrast the goals as a “stoneage oasis” on the one hand, or a “machine-age oasis” on the other but only Tuvaluans can decide whether the costs of becoming “modern” are worth it in an atoll environment. The resources of the sea and tuna fishing provide the best economic hopes for the future but it is highly unlikely that the local resource base could ever support a “machine-age oasis”. Tuvaluans evince a healthy desire to improve their education and to send considerable numbers of their youth overseas for tertiary education, but even here the country cannot afford to pay its subscription to the important regional university, the University of the South Pacific. We have seen what store the society placed on maintenance of the internal air service; this service, appropriate no doubt to a machine-age oasis, was however, unaffordable. In the case of higher education and transport then, the costs of being modern, of establishing a “machine-age oasis” are too great.

Tuvalu's dependence on aid is likely to continue indefinitely in spite of its capable bureaucracy, recent able and responsible leadership and tight management of the economy. As



one Tuvalu leader put it: “This place will never change, or stand on its own feet, no matter how much money you pour into it.” New Zealand should never overlook this fact.

## NOTES TO CHAPTER TEN

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- <sup>1</sup> Anne Chambers, Nanumea. Atoll Economy: Social Change in Kiribati and Tuvalu, No.6, Development Studies Centre, Australian National University, 1984, p. 272.
- <sup>2</sup> Cf Plan pp.10-5 – 10-7.
- <sup>3</sup> Plan: pp.19-1 and 19-2.
- <sup>4</sup> Plan: p.1-2.
- <sup>5</sup> Pale Taumaia, Report on the Deep Sea Fisheries Development Project in Funafuti, Tuvalu, South Pacific Commission, Noumea, 1982.
- <sup>6</sup> The comparable figures using mean of 1947-74 data in the Rural Socio-Economic Survey (p.49) are 80kgms/head for Tuvalu and 174 for Kiribati.
- <sup>7</sup> Tuvalu doesn't need to have trains to cash in on these issues!
- <sup>8</sup> B. Robertson in a report on the balance of payments in Tuvalu in 1983 made an attempt to estimate remittances. It was suggested that crewmen serving on foreign ships earned about \$1,310,000 in 1982 and about \$643,000 might be returned as remittances. See Third Development Plan, pp.5-10.
- <sup>9</sup> B Raj Bhardari, Import Planning, Procurement and Materials Management in Selected Pacific Island Developing Countries, Vol II D, Tuvalu, UNCTAD GATT, April 1983.
- <sup>10</sup> A number of other useful suggestions are made. Thus SPEC have identified a number of commodities for inter island trade in the Pacific region that are worth investigating by TCS and GSK. There also appears to be a lack of planned consultation between GSK and its major indentors, partly because they are in different ministries, although their offices are only 50 metres apart!
- <sup>11</sup> Other changes were increased duties on cheese and butter (10%), wine from \$1 to \$2, liquor from \$9-\$10, cigarettes from \$35-\$36 kg or \$32 for 1000 cigarettes, tobacco from \$10 kg to \$11 kg.
- <sup>12</sup> MFA to Suva H.C. 25/5/83, 118/73/115/17.
- <sup>13</sup> NZHC Suva to SFA 21/6/83, 319/1/6.
- <sup>14</sup> J J Donaldson, MOT "Report on Visit to Funafuti", 15-25 July 1980, 88/88/0.
- <sup>15</sup> NZHC Suva to SFA, 21/6/82, 319/1/6.
- <sup>16</sup> PM 118/13/115/1.
- <sup>17</sup> See VUW Rural Socio Economic Survey, Geddes et al (1982).
- <sup>18</sup> H.C. Suva to SFA 21/6/83, 319/1/6.

### PART THREE:

#### SOME POLICY AREAS



## CHAPTER ELEVEN

### POLITICAL AFFAIRS

#### 11.1 Introduction

It is salutary to review political factors in the five small states in the context of the broad pattern of social change especially over the last 30 years. This period was the era of decolonisation and nation building, of the operation of the new constitutional arrangements for the Cook Islands and later Niue under the Special Relationship, of the build up of massive aid flows, of intensified economic and social planning, of mounting streams of migration between the Cook Islands, Niue and Tokelau and New Zealand.

Relatively large bureaucracies appeared in the island states, remittance income returning to the islands became substantial and surprising new invisible sources of revenue such as philatelic sales made their appearance, indicating that a new peculiar “species” of economy – the mirab economy – was emerging, instead of the expected continuance of the classic colonial export economy based on the export of copra and minerals or one or two other tropical products. To the west Tuvalu seceded from the Gilbert and Ellice Islands Colony in a search for its national identity, and in the same year in which the basis for its colonial economy was lost forever (with the exhaustion of its phosphate deposits) Kiribati too became “independent”. The predicament of these latter two countries is of course infinitely worse than that of the New Zealand linked states. The cry “Find us an island” met no response from the colonial authorities since the ill fated Wagina resettlement scheme of Gilbertese in the Solomons in the 1960's, and both countries have been denied a migration outlet and a special relationship with a metropolitan power. The world and New Zealand's role in it changed greatly in this period and the process of integrating island economies more fully into the metropolitan economies occurred with the New Zealand linked territories as well as with the island groups associated with the United States and France.

It is of course only to be expected that the working out of these major social and economic changes, of which the role of mounting aid flows was probably the most significant, would have political consequences, as well as the impact of world and regional events (such as international strategic rivalry, the nuclear free Pacific movement, the foundation of the Forum and the growth of regionalism).

#### 11.2 Political Situation

In all five small states it was unthinkable that radical political change would occur with independence, for relatively benign, welfarist colonial policies and the strong stamp of missionisation had produced generally acquiescent if not passive societies and relations with New Zealand or the United Kingdom have remained good.

In the Cook Islands and Niue the traditional structures and sanctions had long gone<sup>1</sup> or like the ariki system of chiefs retained only a vestige of their former authority. In the Cook Islands the virtual absence of any effective system of local government was a problem that worried the authors of the Belshaw Stace Report in 1955. Little clan or social purpose existed and grievances were expressed

by the Cook Islands Progressive Association.<sup>2</sup> There, the aim for New Zealand was to create a stable and responsible authority structure in a disorganised and rather rootless society. Although there have been many positive achievements in the political field in the 30 years since then, the political instability of 1983-84, with the two major political parties almost equal in representation is unsettling. The rivalry between the personalities of the politicians dominates the scene. And one cannot yet report the existence of a particularly stable authority structure or “broad stable communities of economic and social interest”<sup>3</sup>.

The egalitarianism, individualism and distinctive village structure (comprising often hostile, mutually suspicious societies) of Niue has had different political consequences. The “demographic haemorrhage” of out-migration has undermined morale and confidence, but consensus style politics under the lead of Sir Robert Rex and his wife, supported by an able Government Secretary, Terry Chapman, has predominated, so that no opposition party had begun to emerge up to the election of March 1984. (Since then there is an opposition of two in the 20 member Assembly.)

In Tokelau, in spite of persistent New Zealand efforts to accelerate the pace of political and constitutional change and the construction of a large Western public service that is separate and unassimilated into the neo traditional structure<sup>4</sup> the village structure has remained largely intact, stubbornly resisting further change until current problems can be worked through.

In Kiribati too a proud reassertion of the neo traditional structure, of emphasis on egalitarianism, and of maneaba style consensus approach to decision making occurred, which was imaginatively encouraged by the constitutional adviser D. Murray within a broad Westminster system.<sup>5</sup> However, a history of paternalism and non involvement of islanders was reflected in the apathy of people to government, which they regarded as foreign in nature.<sup>6</sup> Local government had always been weak. As Betsy Sewell points out: “the local concept of government is frightening, government is nothing less than an arbitrary, external and thoroughly dictatorial power whose purpose is to force the people into obeying its command”.<sup>7</sup>

In Tuvalu too, political independence meant confirmation of the existing social structure, with leadership enjoying the respect and support of islanders, with emphasis on service to the community, proud conformity, social solidarity and sharing in accordance with Tuvalu's values and the principles of the Ekalesia (body of Church members). As in many other Pacific societies kinship and reciprocity can greatly affect voting preferences and have political consequences.<sup>8</sup>

### 11.3 Modernisation and Political Development

Despite the widely differing situations in the territories, New Zealand approached the task of decolonisation and nation building in its three territories in a familiar way (Chapter 3). Like other countries in the 1950's and 1960's we too were infected by modernisation theory that sees island states developing progressively, economically, socially and especially politically, towards greater political maturity and responsibility. Thus self government was thought by some to be perhaps a preliminary stage during which a young island country learnt “to stand on its own feet” and with greater experience the country might later be ready for independence. Yet it can be strongly argued we believe, that some of the island states have made only moderate progress in this political sense in the years since self government began and “responsible government” has not always behaved in the proper, accountable ways according to Westminster theory (see section 11.12 below). Since much of

our aid has been closely associated with the process of decolonisation, it is hardly surprising that it is also strongly imbued with concepts of modernisation. It was assumed from the Belshaw Stace Report on and by constitutional advisers, that progress would occur in equivalent fashion, economically, socially and politically.

However, it is interesting to observe who the “new men” were who inherited and operated the precise, bloodless clauses of the new constitutions. Of course, even in African or Asian countries where economic growth is possible, the world has seen many examples since World War II of the failure of economic growth along liberal capitalist lines to promote democratic political modernisation on the British or United States models. In mirab economies where economic growth has proved impossible a different kind of society again has of course emerged. Politics is managed by a small political elite, and while they do not exhibit the corruption or excesses of African or Asian elites, and they do show concern for the needs of the people, their management of their countries in some cases hardly accords with the fully representative, responsible and accountable democratic model according to constitutional theory.

Of course the founding of new states, and the adoption of new constitutions do not occur in a social or political vacuum. In the period in which the new constitutions were adopted, the underlying socio-economic bases of the different societies were becoming more or less amorphous and homogenous and more class structured over time. Power belonged primarily to the dominant personalities – the Albert Henrys and Robert Rexs – who could seize the opportunities of the new era. In a broader sense power belonged to that social group who were created by and who best understood the new forces at work – the aid and remittance flows, the link with New Zealand, the workings of the expanded bureaucracies and the formation of other organised groups that were the basis of political life. This social group, while comprising only about one to five percent of the populations of the Cook Islands and Niue, clearly is a political elite. Since its role, like that of other political elites in many other newly independent countries, was quite crucial in determining the direction of island politics and the style of government, its characteristics need to be examined.

#### 11.4 Political Elites

In most countries of the South Pacific social differentiation has now occurred to a degree that in a very broad way we may now discern the beginnings of class formation. Traditional elites<sup>9</sup>, except in Tonga, Fiji and Samoa, have largely disappeared or been absorbed in the new loose grouping that the French would call *évolu*, and which is broadly middle class. In comparison to the villagers, the middle group is now clearly discernible – those people usually in public service positions, teaching or commercial life and more aware of the political process. At the head of the *évolué* are the loose grouping that can be termed an elite, comprising sometimes old or middle aged but mostly young, relatively highly educated individuals on moderate incomes. In most countries (and especially the Cook Islands and Niue) they are a bi-cultural group for they have spent usually many years living in a metropolitan country and possess an experience and sophistication that is an important ingredient in their political success. In some cases they have acquired local power and prestige through being successful traders in the colonial period.<sup>10</sup> But most have evolved from being among the more outstanding or determined scholars of an early group educated abroad<sup>11</sup> where they have developed something of a syncretic (though predominantly Western) model of development for their particular country. Many have experienced a long education abroad, up to perhaps the age of 30, and many have been teachers or clerks for a period. Some with varied careers like Albert Henry, have been

determined to succeed; others less ambitious but with a keen sense of community duty, have almost been thrust into public duties - becoming in Tony Hooper's words an "inadvertent elite" (e.g. Tokelau). In some cases they have been selected by colonial authorities for responsible positions in the period leading up to self government, in other cases they have been instrumental in organising and building up grass roots movements, discussion groups<sup>12</sup>, trade union movements, or embryonic political parties.<sup>13</sup> In several cases encouraging an element of nationalism and accusing the metropolitan power of "colonialism" has played an important part in this process.

While fully aware that the village mode of production provides the essential basis of island life, most Pacific elites are fully "modern sector" in outlook, spending nearly all their lives in offices or clubs, mainly in touch with bureaucrats, urbanites and other politicians. However the smallness of size of island nations and the informality of life means that it is still easy for politicians to retain relatively close links with the villages and in spite of their urban or metropolitan bias and lengthy separation from village life, they are by no means alienated from the village populations. The expansion of administrative structures on top of near subsistence economies and the almost absence of a private sector apart from a few trading firms has meant that the new elite has had considerable experience of public sector activity, visiting aid missions and the like but little experience of industry, commerce or modern agriculture.

As in all newly independent countries, the political elite attempt to "engineer the consent" of the populace to its policies. Appeals to nationalism and the use of symbols of national identity, while often genuine in themselves, form part of a broad strategy of legitimating the government or party or justifying the arrangement of power.

### 11.5 Political Strategies

The power of the elite in small, remote island societies hinges on the ability to persuade and manipulate the village populations. Since resources are so limited and finite, power resides largely in the hands of those who promise security, through safeguarding New Zealand citizenship in the case of Niue and the Cook Islands and access to the New Zealand labour market for migrants. No politician who threatens this link would enjoy the support of his electorate. Beyond this point, political leaders who promise access to additional or new resources - which, apart from the resources of the sea, necessarily must come from outside the island micro-economy - might attract some support if plausible (see 11.6 below).

But ensuring that every effort is made to maintain or increase the level of aid is perhaps the greatest task of politicians in the mirab economies. One way of pursuing this aim is to emphasise the "client" mini state's loyalty to New Zealand, her trust in New Zealand's good intentions, to be ready to "tighten the belt" when economic conditions in New Zealand are difficult and generally to fit in with the metropolitan country's thinking. This strategy seems to have been the one employed by Niue in the last 15 years, and since New Zealand's subventions have not declined, the islands' politicians could point to good socio economic conditions on the island. In spite of his advancing years, Sir Robert Rex and most of the other leading politicians continue to enjoy political success and were comfortably re-elected in the March 1984 elections.

The alternative political strategy to emphasising a small country's "client state" role, its loyalty, perhaps even its forlornness and dependency as part of an international tactic in "diplomatic reciprocity", is to seek new resources offshore. It is no accident that so many political leaders in the



South Pacific can count millionaires from the United States, Australia and elsewhere among their friends. Factors other than the lure of the “South Seas Paradise” have sometimes interested people like Raymond Burr in attempts to purchase an island. Of course the introduction of powerful foreigners and great wealth into the political ecosystem of an island state is a very dangerous and desperate tactic likely to outrage nationalistic feelings unless the odds are correctly calculated. Thus Jimmy Stephens' link with the Phoenix Foundation of Texas to establish a tax haven in his break away “state” in Vanuatu was always doomed to failure, because it challenged national unity as well as Melanesian nationalism<sup>14</sup> in the interests of narrower nationalism.

Sometimes it is argued that such political adventurism is purely the result of the erratic, extravagant political behaviour of people like Albert Henry, who in contrast to the Niuean tactic of “don't rock the boat”, rock the boat quite strongly in a way calculated to extract more resources or favourable policies from the metropolitan power. It is true that the personalities of island politicians do play some part, but this explanation will not account for the widespread and frequent examples of political adventurism, or of “Henryesque” behaviour. Thus the cautious welcome given by the King of Tonga in 1976 to Soviet overtures to help develop industry, including fisheries and civil aviation, coming at a time of Soviet naval and fisheries expansion in the Pacific, provoked a speedy reaction from New Zealand.<sup>15</sup> New Zealand doubled its aid to Tonga and secured without dissent at the Forum meeting in Nauru a declaration calling for regional cooperation in managing the 200 mile EEZs and negotiating with long distance fishing nations. But it appears that the real issue for Tonga was not Soviet aid in return for its bases, but dissatisfaction with New Zealand policies, especially over migration (remittances are crucial for its economy) and aid and disquiet about New Zealand's attitude to Pacific needs and concern.

Indeed this example illustrates the very limited room for manoeuvre that island politicians have; the constraints of orthodox development strategies and the impossibility of achieving much through “bootstrap” development leads to deep frustration and feelings of national impotence. In this situation acts of political adventurism are born (see Section 11.6). In this case the lesson of the Soviet episode for the Tongan Government was that New Zealand could be effectively pressured.

It would be foolish to condemn all unorthodox political strategies simply because they are novel. Thus Albert Henry might have been duped by Milan Brych's claims to cure cancer, but in a mirab economy where “invisible” earnings like philatelic sales are all important, setting up an international cancer clinic made a lot of economic sense.

#### 11.6 Political Adventurism The Sidney Gross Affair<sup>16</sup>

Given the extreme limitations of the resource base, and the various options available in attempting to develop marine resources such as fishing, the “room for manoeuvre” available to political leaders in mini states provides an interesting field of study. With external countries competing to offer capital investment or technology often on their own terms, leaders anxious to modernise in a hurry can, at times, engage in “political adventurism” or fall for “instant solutions” offered by unscrupulous foreign businessmen. Such a case is the Sidney Gross affair.

Sidney Gross has been described as a successful, well heeled American businessman with a good reputation in business circles. Perhaps like Raymond Burr and Forbes he was bored and sought the stimulation of a venture in the exotic islands of the South Seas. Although he apparently had no

previous experience of fishing he did his homework on the fishing potential of Tuvalu. Early in 1979 two men who were probably agents of Gross appeared in the South Pacific. An "American" Toleatasi alias Bulter O'Brien, who Prime Minister Toalipi Lauti claimed to be a relative - "the only Tuvaluan to be an American citizen" - offered through Collateral Investments Ltd. a \$20 million loan to Tuvalu to purchase three fishing boats. The firm intended to promote the sale of land in the United States in five acre lots at \$6,000 each. About this time Lauti visited Honolulu, a visit that may have been sponsored by O'Brien, who was described only half seriously by Lauti as his "investment adviser". The other agent of Gross was Adrianus Holgan, a Dutch citizen who had been involved in a land deal in the New Hebrides which had become the subject of litigation. He had also apparently been involved in a company called GIC which "sold land in Vietnam to GI's". Holgan introduced Lauti to a firm in Dallas called Success Associates, whose educational systems guaranteed the removal of frustration, the development of leadership qualities etc. Lauti bought U.S. \$50,000 of materials from them.

By March there was an exchange of information between London, Washington, Canberra and Wellington because of growing fears that Tuvalu might be "ripped off". They had heard in February that Lauti planned to invest Tuvalu's Reserve Fund in these land deals. The Foreign and Commonwealth Office had not heard of Collateral Investments Ltd. but identified Gross' company as Blue Chip Realty Investments of California. The FCO wrote to Lauti pointing out that his planned investment would not be a proper use of the country's reserve funds. At the time that the United States Tuvalu treaty was about to be signed, the FCO expressed concern to the United States that one of their nationals might be "ripping off" the Tuvaluans. The Americans agreed to check out Gross and his company, but the checks confirmed that to date Gross' actions appeared to be legal. Later the FCO learned that Lauti did not invest reserve funds in land deals but that "the American" (probably O'Brien) had left Tuvalu with \$70,000 in two suitcases. The money had apparently come from at least two island councils.

Lauti then took up Gross' offer to establish a fishing industry in Tuvalu and made over the reserve fund (apparently A\$525,000) to this project. Gross was apparently contemplating providing a loan to purchase two fishing boats and also the establishment of a canning factory and an ice making plant. To the British, the whole thing appeared to be a con - possibly a tax dodge on Gross' part. They were most concerned about the consequences of such a large and expensive venture on Tuvalu's economy, given the lack of facilities, equipment or crews and the poor marketing prospects for their fish.

The Foreign and Commonwealth Office were seriously concerned about what was going on in Tuvalu. It was estimated that about \$525,000 of the reserve fund was revenue from the philatelic bureau. The FCO was told in confidence that Lauti's cheque to Gross had bounced and Lauti then appealed to the British for assistance. Rumours were circulating in Tuvalu that there was not enough money to pay civil service salaries.

It was believed for a time (incorrectly), that the Tuvalu Minister of Finance, H. Naisali, who had consistently opposed the action taken by Lauti, had been sacked for his pains. Two British financial officials were despatched urgently to Tuvalu to assess the situation.

In the assessment of outside observers, Toalipi Lauti was naive rather than dishonest in his dealings during the affair, and that he showed some penchant for following the rather autocratic and irregular techniques of Morimer de Roberts' Government (having spent several years on Nauru). Lauti had

acted impulsively and imprudently when he disregarded advice to engage a lawyer while in the United States, and in writing a letter while in Los Angeles purporting to appoint Sidney Gross as Tuvalu's representative in the United States.

In the campaign leading up to the September 1979 elections, the main issue was the decision to invest the reserve funds with Sidney Gross and Dr Papua and Hon. Henry Naisali led criticism over the fate of the investment (P.I.M., November 1981). Following the election Toalipi Lauti was defeated by five votes to seven in a parliamentary vote for the prime ministership by Dr Tomasi Puapua. The fact that some interest on the investment had been paid was not sufficient to save Mr Lauti. Toalipi Lauti had been chief minister and then prime minister since October 1975.

Late in October, Mr Lauti wrote to Gross saying he wished to withdraw the \$500,000 plus accumulated interest on the first anniversary of it being handed over in March 1980. At that time he was reasonably optimistic of recovering the money. Gross had become uneasy at F.B.I. interest in the affair but wrote pious letters couched in religious phrases asserting that he was Tuvalu's genuine friend and benefactor.

In November the Tuvalu cabinet rejected Gross' plan to sell Tuvalu citizenship to foreigners. Gross also wanted the elimination of all exchange restrictions and sought a tax haven in the country, proposals that were rejected by the Tuvalu assembly.

Lauti was crestfallen at the affair, thinking wistfully that the promised \$10 million loan (not the \$20 million already touted) could have been invested at 15%. The interest would have covered the recurrent budget. The New Zealand High Commissioner pointed out that such a deal would have seriously damaged Tuvalu's international reputation.

Apparently it was feared that a good deal of private money (much from the Tuvalu Church) was invested in Green Valley acres. The whole affair led to a good deal of acrimony at a Honolulu conference, but by September it appeared that the whole affair was over. At that stage it appeared as if Tuvalu might get its money back, but at the time of writing (March 1984) it appears that Gross has made no further substantial repayment of the \$525,000 investment. As the New Zealand High Commissioner said, Mr Lauti was "beginning to learn that there are no instant solutions to national penury and no short cuts in setting up a viable fishing industry". The case is in principle not an isolated one, for political leaders in the Cook Islands and Tonga in the 1960's and 1970's have at times found their lack of "room to manoeuvre" particularly irksome and have resorted to various forms of "political adventurism". But then this is certainly not confined to mini states.

A postscript needs to be added. In March 1984 it was generally believed by the Tuvalu Government that Sidney Gross was about to pay back all the Government money owed. He had already paid back \$100,000. This they saw as the result of intense diplomatic pressure on Gross (the Prime Minister paid special emphasis on the role of the U.S. Ambassador to Fiji, Urquhart, whom he described as a personal friend of Ronald Reagan), backed up by visits by the F.B.I. Gross had promised in a letter to return the money (estimated to be \$523,123 of capital and accumulated interest) by 16 February when his agreement with the earlier Tuvalu Government expired (Budget Speech 1984). As this report went to press, we heard in July 1984 that Gross paid back all moneys owing after a visit of Henry Naisali to the United States.

### 11.7 The Security of a Reserve Fund

Acts of political adventurism like the Gross Affair serve as a warning to metropolitan governments as well as to island politicians. Such strategies are not likely to be employed if long term budget support by metropolitan countries were ensured. A case in point was the desire of Tuvalu at independence to receive a single, large lump sum rather than an annual aid grant over successive years. The point was reinforced in August 1984 by Henry Naisali, Deputy Prime Minister, who thought that Tuvalu's long term future would be ensured if a revenue equalisation reserve fund (like that of Kiribati) could be built up to about A\$20 or 30 million<sup>17</sup>. Such a fund, deposited in a safe portfolio of investments, would mean that the country could live on the interest. He declared that the inviolability of the principal would be assured by an arrangement whereby 100 percent of the Assemblymen and the assent of the donors would be necessary before drawing on it. Such an arrangement would give greater autonomy as well as greater security to the small states.

### 11.8 Political Systems

In very small island societies the supply of political talent is very limited, so the choice between politicians and parties is equally limited. This is illustrated by the relatively long political careers of Albert Henry, Sir Robert Rex and Sir Tom Davis in marked contrast to some of the larger Pacific countries, such as Papua New Guinea where the number of évolués is relatively large and there has been a marked turnover of some of the politicians.

With the growing dominance of a colourful, charismatic politician like Albert Henry, and the victimisation of opponents<sup>18</sup>, the development of party politics became inevitable and necessary, given the intensity of political feelings (e.g. the burning down of the Nikao Social Centre in Rarotonga just before the South Pacific Conference in 1974<sup>19</sup>) and the infringement of individual rights. While a party political system as in the Westminster model does have several advantages, it is rather new in the South Pacific where consensus politics of "The Pacific Way"<sup>20</sup> type have predominated (cf. Niue up to 1984, Tokelau, and the near consensus situation in Kiribati and Tuvalu). Consensus political systems do have great advantages and appear to be appropriate to the neo traditional social system<sup>21</sup>, although they do have some major disadvantages, which still have to be solved (see 11.13 and 11.14 below). In fact there appears to be no conventional basis for party politics in mirab economies for the economic policy (normally the basis for distinguishing between parties) is not a point of issue. However the basis for distinguishing political parties is a matter which islanders will determine. The real basis for party politics would appear to be on the relationship with donor countries, and on alternative strategies of attracting external resources as indicated above. The disadvantage of party politics is that there are often not many competent people available and it is a waste to have some excluded from government because of party affiliation.

The differentiation of parties in the islands as in any other country revolves around personalities and the kind of basic goals and philosophies - and the relative trade offs between them - presented in Table 11.1. Some of the preferred choices and combinations of these goals can be presented as predominantly private sector oriented favouring foreign investment, while others are more socially and community oriented. In reality there is little in the islands to attract foreign investment. The biggest hotel in the five small states, the Rarotongan, was only built when Air New Zealand and the New Zealand Tourist Hotel Corporation joined with the Cook Island Government. And "more

market” oriented policies such as the abolition of fertiliser subsidies by the Davis Government led to a greater fall in agricultural output.

TABLE 11.1

Development Goals of Ordinary People<sup>1</sup>

- 
1. Future wealth and happiness of the people.
  2. The earning power and hence the real standard of living of this generation and the next. (Note that “earnings” include the results of both subsistence and market activities.)
  3. Preservation of some of the comforting and well known features of past life.
  4. Freedom, security and independence.
- 

1. Adapted from Hughes' development goals in South Pacific development planning (Hughes, 1972).

Three major weaknesses of consensus systems have to be solved for mirab economies. In the area of massive aid inflows it is important that the expenditure of funds accord with the government's approved pattern of expenditure. While it is unacceptable that aid donors should attempt to apply political leverage it is essential that moneys be expended according to the government's programme which is understood by and can be evaluated by the electorate. An efficient and honest administration is essential but it is equally essential that the executive of government be held accountable (in some locally acceptable political way) to the population. As we discuss below the accountability of consensus type governments (or even of “Westminster” type ones that don't perform as they are meant to, according to the constitution) is a crucial question. With massive aid inflows, the possibility of corruption remains very real, and there is a danger that potential critics of government might be “bought off” or gradually and insidiously receive perks so that in turn, they too, become corrupted.

Secondly, the importance of kinship and reciprocity in small scale bonded island societies remains great and can lead to nepotism and bias in carrying out the business of government. Gift giving and receiving and on going relationships of reciprocity are an integral part of island life, but at times when political considerations are involved, the Judiciary might consider such instances as bribery or treating. Since internal politics inevitably reflects the social organisation in the islands while formal government business and external relations are carried on according to international standards, there is occasionally conflict; no simple or short term solution is in sight.

Thirdly, while consensus decision making has proven itself at the village and island levels, it has yet to be seen whether it can work adequately at the national level. When questions of foreign policy, involving issues of power or novel international relationships are involved, it is not clear whether the extension of local principles to handling the broader questions will prove adequate. For example, currently the Tokelau Fono understandably wants a pause to work out what kind of accommodation might be required for the neo traditional system to deal with the issues to be faced in the future.

## 11.9 Ambivalent Policies

In reviewing the last 15 to 20 years of political evolution in the islands it is clear that the role and composition of the state has been rather ambiguous and the observed planning strategies over time inconsistent and contradictory. Basically this has been because of misunderstandings and wishful thinking, both in the metropolitan country and in the islands of what really could be achieved by “development”. Moreover, insecurity has been caused by the lack of a long term+ commitment by New Zealand to aid to the Cook Islands and Niue or by Britain to aid Kiribati and Tuvalu. Thus Kiribati is trying to soldier on as if it were still a classic colonial export economy, yet in the post phosphate era it inevitably becomes a mirab economy that is aid dependent. Tuvalu is painfully learning the same thing as it is paying the price for “independence”.

We have noted that the “room for manoeuvre” of politicians is very greatly circumscribed. Although appeals to island nationalism, to cherished symbols of national identity are good politics up to a point, no island leader dare risk jeopardising the link with the metropolitan country. At times of political strength however, when optimism for the prospects of autonomous development ran high, politicians have actually embarked on bold policies. Thus in 1966 Albert Henry increased taxation partly to pay for a \$1 a week old age pension and partly in an effort to reduce dependence on the New Zealand subsidy. He cut the number of scholarships for students destined for collar and tie education, brought in a bill to restrict emigration to those with a house and job waiting in New Zealand, and he had plans to reduce the size of the public service.<sup>22</sup>

Sir Tom Davis too, like Albert Henry, has believed in the reality of autonomous, bootstraps development. Both men subscribed to the national goal of the Cook Islands “to achieve the greatest possible degree of economic, social and political reliance consistent with the resources available”. Unlike any other politicians in the Cook Islands, both men seemed to genuinely desire full independence, though they stopped short of jeopardising the New Zealand link. In an interview on New Zealand television in late 1978 Sir Tom Davis described the relationship with New Zealand as being more of a commercial than political one. And the relationship would involve “... more of us doing our own thing successfully than relying on New Zealand to pay the piper”.<sup>23</sup> In fact, he envisaged New Zealand aid “diminishing in about two years maybe less. Or better still I would expect that the aid would not diminish but assist us in further expanding our capabilities”. (This is identical to statements in the Belshaw Stace Report 23 years earlier.) He declared that he was “absolutely sure” that the stage would come when the Cook Islands were not financially dependent on New Zealand.

In 1984 the ambivalence of attitudes towards autonomous development and more independence on the one hand (with all the appropriate political policies required) and acceptance of greater economic, social and political integration with New Zealand on the other as the mirab society model postulates, was evident during fieldwork. In Table 11.2 the responses of 12 leading Cook Islanders (including several current or ex cabinet ministers and senior public servants) are presented on issues relating to the constitutional relationship and economic “development”. The table is not meant to suggest the illogical or woolly headed thinking of the islanders (responses in Wellington would probably be similar) but the ambivalence of the constitutional and economic situation as it has evolved. Indeed, in spite of the unreality of the goal of autonomous development at acceptable living standards, New Zealand must take responsibility for promoting it.

### 11.10 Current Concerns

This chapter has indicated that there is enough evidence of the extreme frustrations and feelings of impotence among the small island states as to suggest that unorthodox political strategies or political adventurism may be adopted from time to time if there is persistent dissatisfaction with New Zealand policies. While understandable, such acts might incur heavy costs, undermine stability or threaten established relationship. In Chapter 3 the issue was discussed of the movement of the Cook Islands in the early 1970's towards "as if" independence. While much of the initiative for this may have come from the Cook Islands, it was received more sympathetically by Norman Kirk than by the preceding National Government. Although under the special relationship responsibility for foreign affairs and defence lay with New Zealand rather than with the island government trends that developed in the 1970's had the effect of moving the Cook Islands closer to full independence.

Henry wrote to the Minister of Island Territories in October 1971 asking that the two functions of the High Commissioner (as "head of state" and representative of the New Zealand Government) be separated. In May 1973 Kirk and Henry agreed in discussions that the Ministry of Foreign Affairs (and not Island Territories) should become the direct channel of communication between the two governments.<sup>24</sup> This had the obvious advantage for Henry of giving him access as of right to Kirk, who was Minister of Foreign Affairs as well as Prime Minister, on all matters (not merely on foreign affairs or defence), instead of to Mr P. Amos, Minister of Island Territories, who was a junior minister. This direct access continued in the 1970's and 1980's as Sir Robert Muldoon in effect acted as *de facto* Minister for South Pacific Affairs, while David Lange is also Minister for Foreign Affairs.

At least since 1975 the Ministry of Foreign Affairs had accorded the Cook Islands the status in effect of a full sovereign nation. This attitude of mutual respect between equals is admirable, even if existing power relationships mean that in reality many islanders in 1984 still see the relationship with New Zealand as essentially a paternal (rather than fraternal) one.<sup>25</sup> The question arises, however, of whether New Zealand has fully thought through the implications of this new relationship in which the islands are acting as fully free agents.

Current issues which could sorely test the relationship, and which illustrate trends alluded to earlier in this chapter, include:

- (1) The wood fuel project in Rarotonga;
- (2) The unaudited accounts of philatelic revenue in Niue;
- (3) The current proposals in the Cook Islands to raise the salaries (including allowances) of members of the Assembly by approximately 100 percent;
- (4) The Niue Assembly Members Superannuation Bill, 1984.

TABLE 11.2  
Cook Islands: Constitutional Relationship and Economic “Development”

| Name                   | In favour of special relationship with N.Z. | In favour of N.Z. aid | In favour of “independence” <sup>1</sup> | In favour of Independence (no free entry or aid guaranteed) | In favour of autonomous development | In favour of increasing international associations | In favour of considering integration with N.Z. | In favour of possible constitutional change | Father-son relationship | Husband-wife relationship |
|------------------------|---------------------------------------------|-----------------------|------------------------------------------|-------------------------------------------------------------|-------------------------------------|----------------------------------------------------|------------------------------------------------|---------------------------------------------|-------------------------|---------------------------|
| Hon. Tangaroa Tangaroa | •                                           | •                     | •                                        |                                                             | •                                   | •                                                  | •                                              |                                             | •                       |                           |
| Vince Ingram           | •                                           | •                     | •                                        |                                                             | •                                   | •                                                  | •                                              | •                                           |                         |                           |
| Joe Caffery            | •                                           | •                     |                                          |                                                             | •                                   |                                                    | •                                              | •                                           |                         |                           |
| Henry Puna             | •                                           | •                     | •                                        |                                                             |                                     |                                                    |                                                |                                             |                         |                           |
| Father George          | •                                           | •                     | •                                        |                                                             | •                                   |                                                    |                                                |                                             |                         |                           |
| Ka'a Henry             | •                                           | •                     | •                                        |                                                             | •                                   | •                                                  |                                                |                                             |                         |                           |
| Reema Brown            | •                                           | •                     | •                                        |                                                             | •                                   | •                                                  |                                                |                                             |                         |                           |
| William Estall         | •                                           | •                     | •                                        |                                                             | •                                   | •                                                  | •                                              | •                                           |                         |                           |
| John Hermann           | •                                           | •                     | •                                        |                                                             | •                                   | •                                                  | •                                              | •                                           |                         | • <sup>2</sup>            |
| Mana Strickland        | •                                           | •                     | •                                        |                                                             | •                                   | •                                                  | •                                              | •                                           | •                       |                           |
| Terepai Maoati         | •                                           | •                     | •                                        |                                                             |                                     |                                                    | •                                              | •                                           |                         |                           |
| Ngereteina Puna        | •                                           | •                     | •                                        |                                                             |                                     | •                                                  |                                                |                                             |                         |                           |

1. “Independence” meaning self government with virtually unrestrained freedom of action.
2. In 1965, seen as a domineering husband (N.Z.) to his wife (Cooks’); now the wife is feeling increasingly “liberated”.



#### 11.11 Wood Fuel Project

Although in May 1984 the Cook Islands' attempts to be recognised as a separate sovereign entity by the European Economic Community in order to receive the benefits available to associate members under Lomé II provisions was backed by other South Pacific states (including New Zealand), the application was turned down. Membership would have permitted access to soft loans etc. not otherwise available. It is understandable that the Cook Islands Government wishes to deal directly with third party governments to conclude treaties or negotiate loans. (This issue had become real at least as early as 1978 on the occasion of the Taiwan fishing deal,) However currently Sir Tom Davis is anxious to take up a \$8.6 million loan to finance a controversial wood fuelled electric power plant. The objective, of obtaining cheaper power by burning the fast growing species *Leucaena*, is laudable but in the opinion of many observers it will prove impossible to acquire the minimum area of land from the landowners on Rarotonga (500 to 800 hectares on flat land, or more on hill slopes) for tree planting to make the project viable. Other serious problems also exist. There appears to be a strong possibility if not probability, that if the project goes ahead, it will fail dismally<sup>26</sup>, and the Cook Islands will be unable to repay the debt incurred. New Zealand would then be expected to pick up the tab.

#### 11.12 Unaudited philatelic revenue

For no apparent reason, the declared philatelic revenue in Niue is \$400,000 less than in the Cook Islands. Mr Finbar Kenny of the United States handles sales of stamps for both countries. Each year since 1978 the Auditor General has reported that the gross revenue for the sales has not been inspected; indeed only one inspection had ever been carried out (see also section 7.19).

The more important issue is constitutional rather than ethical. It is the clear duty of the Assembly under the Niue Constitution Act 1974, Clauses 56-60, to carefully consider the Auditor General's Report each year and to hold the Executive to account for all revenues received and expenditures made of behalf of the Niuean Government.

The reason that this does not happen on this and in other instances, it has been alleged, is not because of inexperience or incompetence on the part of the Assemblymen, but because of fear of the ruling elite.

#### 11.13 Rise in salaries and allowances of Members of the Assembly

Recently in the Cook Islands it has been proposed that the salaries, allowances and other expenses of members of the Assembly be sub-stantially raised in fact to a total about percent above their existing level. While it has been argued that the current salary is inordinately low, the rise comes at a time of acute recession in the islands as well as in New Zealand. An objection seems to be legitimate not because of the fact of the increase proposed but because of its very great amount. Moreover the proposal is bipartisan, for with the exception of Vince Ingram and a few other members, the move is supported by the two major parties. The very great size of the increase proposed opens the members of the Assembly to the charge that they are indeed acting very much like the political elite of other developing countries, in that they are greatly concerned with their own self interest and enrichment.

#### 11.14 Niue Assembly Members Superannuation Bill 1984

This bill, passed in January 1984, had the intention of establishing a superannuation scheme for Members of the Assembly and to ensure that the cost to Government is a “known factor at all times”.

However, Clause 8 of the Bill, section (3) states that:-

“Cabinet may in consultation with the Speaker and the Secretary to the Government, grant a qualified member upon his ceasing to be a member such payment in addition to that paid (under the terms of the superannuation scheme) ... as it sees fit where it is felt that the qualified member has rendered exceptional services to the Government of Niue”. (Our underlining).

Furthermore Clause 9, section (2) states that:

“Where in any year the money in the Superannuation Account is insufficient to meet all payments required to be made, Cabinet may, without further appropriation than this section make an advance from the Niue Government Account sufficient to meet the deficiency”.

#### 11.15 Policy Proposals

In reviewing political affairs the Team does not wish to present an unbalanced picture. Undoubtedly there have been many excellent achievements by island governments in managing the affairs of the island states, in ordering their own lives and in dealing with their problems. But in the last 15 to 20 years a new historical era has arrived - the era of large aid projects, of massive aid flows, the temptations offered by powerful and plausible foreign companies. It is well known that corruption has increased dramatically in countries (e.g. in Asia) that have received large aid flows. While it is believed that the South Pacific countries with their background of missionised cultures, honest leadership and correct colonial government procedures have been in the past immune from this tendency, there has been mounting evidence from some countries in recent years that corruption has begun and is increasing. While the desire of politicians to be re elected ensures that they continue to have regard for the people, the social distance between the political elite and the villagers is growing steadily wider, the power they wield is becoming greater and the awe (even at times fear) in which they are held by members of the public is becoming considerable. While in the main they have served their countries well, the dangers of self enrichment or of abuse of power are clearly there.

In view of the delicacy of such matters and the perils that face the relationship between New Zealand and the island states urgent action is recommended now. (A neo-colonial backlash from the uninformed New Zealander taxpayer could be disastrous.) The danger of not putting in place procedures to deal with this situation now, is that much more expensive “bailing out” exercises might be required later, or it would be difficult to act in a way that didn't appear to be an over reaction by Big Brother.

Fortunately, relations between the island governments and the New Zealand Government are friendly and open. Accordingly, it is suggested that a Select Committee be appointed to deal with the

relationship in each case with Niue and the Cook Islands. There would be an equal number of members, from Parliament and the Assembly on each side. Later it might be appropriate to appoint one also for Tokelau. Under high quality, delicate Chairmanship these issues which involve constitutional matters, integrity and ethics, accountability, and the wisdom of government policy (especially when countries are entering new, uncharted waters) could be soundly dealt with in an amicable way. In such a forum the New Zealanders too would learn much that is richly rewarding.

## NOTES TO CHAPTER ELEVEN

- 1 R.P. Gilson, *The Cook Islands 1820-1950*, 1980; S.D. Wilson "The Record in the Cook Islands and Niue 1901-45" in Angus Ross (Ed.), *New Zealand's Record in the Pacific Islands in the Twentieth Century*, Auckland, 1969.
- 2 Strong criticisms of the style of New Zealand's colonialism in the Cook Islands are contained in the "Petition from Mr Ronald Syme Concerning Cook Islands" and "Report on the Proceedings of Four Deputations of Cook Islanders to F.H. Corner, Esq.", 5-7 January 1964.
- 3 Belshaw Stace Report (1955): 22.
- 4 Hooper, 1982.
- 5 D.J. Murray, "The Gilbertese plan a home made constitution for independence", *Pacific Islands Monthly*, 48 (8), pp 12-13.
- 6 Barrie Macdonald, *Cinderellas of Empire*, Australian National University Press, Canberra, 1982
- 7 Betsy Sewell, *Butaritari*, Atoll Economy : Social Change in Kiribati and Tuvalu, No. 3, Development Studies Centre, Australian National University, 1983, p.53.
- 8 Anne Chambers, *Nanumea*, 1984; T. Layng to Secretary of State for Foreign and Commonwealth Affairs, "Tuvalu Valedictory", 20 September 1978, 118/13/115/1.
- 9 High rank, including the possession of prestigious titles has been an important factor in the careers of Ratu Sir Kamasese Mara in Fiji, Fiamé Mata'afa and Tupuola Efi in Western Samoa, while the royal family of course dominates political life in Tonga.
- 10 e.g. Robert Rex in Niue. Albert Henry also worked for the trader A.B. Donald for a period.
- 11 e.g. Albert Henry was educated at St. Stephens, Ratu Mara at Wanganui Collegiate, Otago University and Oxford, several Samoan politicians were educated in New Zealand with obtaining a law degree at Victoria University. Sir Tom Davis studied at Otago University. Terry Chapman of Niue graduated in Public Administration at Victoria University, and Ieremia Tabai, President of Kiribati, obtained a B.C.A. degree from the same University. Henry Naisali, Deputy Prime Minister of Tuvalu, was educated at St Andrews, Christchurch. Father Walter Lini of Vanuatu attended the St Johns Theological College in Auckland.
- 12 e.g. In Vila Father Walter Lini and associates formed the New Hebrides Cultural Association and published "New Hebrides Viewpoints" in 1971. The Association was the forerunner of the Vanuaku Party of Vanuatu. Earlier Lini had helped Solomon Islanders to found the nationalistic Kakamora Reporter in the Solomons. A similar pattern had occurred in Port Moresby, where Michael Somare, Joseph Nombri and Albert Maori Kiki, when students at the Administrative College formed the "Bully Beef Club" in 1964. This later developed into the Panga Party. See Father Walter Lini, *Beyond Pandemonium*, 1980; M. Somare, *Sana Port Moresby*, 1975; Albert Maori Kiki, *Ten Thousand Years in a Lifetime. A New Guinea Autobiography*, Cheshire, 1968, pp.149-49.
- 13 e.g. Albert Henry's organisation of the Cook Islands Progressive Association and of the strike on the Rarotongan waterfront.
- 14 Roger Clare, "Prophet in Paradise", *N.Z. International Review*, V, 5, Sept/Oct. 1980, pp.21-22. "Roger Clare" was the pseudonym for R.F. Watters.
- 15 Irene Webley, "Tonga and the Soviet Union: Problems in New Zealand Tonga Relationships", *New Zealand International Review*, Sept/Oct. 1976, pp.11-13.
- 16 Based on files, H.C. Suva to EIB, Wellington, and SFA Wellington, 19 and 21 March, 2 November 1979, 15 April 1982. London to SFA and EIB, 20 March 1979. 118/13/115/1.
- 17 Personal communication, Henry Naisali, 13 August, 1984.
- 18 R.G. Crocombe, *Cook Island Politics: The Inside Story*, Polynesian Press in association with South Pacific Social Sciences Association, Auckland, 1979.
- 19 Kathleen Hancock, *Sir Albert Henry. His Life and Times*, Methuen, Auckland, 1979, p.14.
- 20 The term was coined by Ratu Sir Kamasese Mara in 1970 in an address to the United Nations General Assembly.
- 21 On the local government system in Kiribati the President, Ieremia Tabai says:  
"On a long term basis we intend to look into the basic constitutional framework of the councils. As they operate now, they use the imported United Kingdom model. It is now increasingly apparent that this may not be the right system, considering the fact that on nearly every island there are Unimane Associations representing the traditional power centre. These associations tend to be more powerful than the councils and therefore can be a threat to the effectiveness of these statutory bodies. There is a need to find a system compatible with our traditions." I. Tabai, "Preparing the Takeover" in Taomati Tuta et al (1980): 25.
- 22 Kathleen Hancock, "All he needs is money", *The Dominion*, November 8, 1967.
- 23 "Interview with Dr Tom Davis", *New Zealand International Review*, Nov/Dec. 1978, pp.4-5.
- 24 Personal communication, M. Templeton, formerly Deputy Director, Ministry of Foreign Affairs.

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- <sup>25</sup> In about 20 interviews with Cook Islander respondents only one saw the relationship as like that between “brothers”; the rest saw it as similar to the relationship between a “father” and “son”.
- <sup>26</sup> Interview with Mr Bill Puna, April 1984. Interview with Ian Armitage, July 1984. Kenneth G. MacDicken and Ian Armitage, Working Group Report on Wood Fueled Power Plan Feasibility for the Cook Islands, April 1984. This report was prepared in a week under considerable pressure from the Government. Although it finds the proposal for the wood fuel plant desirable and feasible it does point out the risks. Moreover there are numerous references in the text to more time being needed to carry out further investigations. No study of land tenure, or of sources of revenue to pay back the loan were carried out. See also Cook Islands News, May 1, 1984, pp. 1 2. Sir Tom Davis replied in Cook Islands News 1 June, 1984.



## CHAPTER TWELVE

### DEFENCE

#### 12.1 Continuity and Change

The fall of Singapore in 1942 was a decisive event in the history of New Zealand's foreign policy, shattering the myth of Britain's imperial defence supremacy and destroying the country's confidence in Britain's ability to protect New Zealand in time of war. The threat by Peter Fraser to pull the New Zealand division out of the Western desert to protect the homeland (as Australia earlier had done) brought the request from Churchill to Roosevelt that led to the despatch of marines to the South Pacific. The American victory in the Battle of the Coral Sea underlined New Zealand's reliance on the United States to protect it from invasion by a hostile power. After the War it was felt that some dependable relationship with the United States in the Pacific was essential for its long term future. Recognition of this fact by both New Zealand and Australia was the basis for the ANZUS Alliance. The Canberra Pact between Australia and New Zealand in 1944 was extended into a tripartite treaty with the United States in 1951. For 30 years successive governments have recognised ANZUS as the cornerstone of New Zealand's security and defence policies.

While New Zealand's ties of friendship and allegiance with Britain and the Commonwealth have not greatly diminished (as illustrated by the loan of a frigate to Britain during the Falklands War) even although New Zealand exports to Britain have dropped from 84 percent to a mere 14 percent in the last 45 years, the dependence on and close alliance with the United States, as well as with Australia, has become the paramount factor in the nation's defence in this period, creating at times (as in the Suez crisis) some ambivalence when Britain and the United States are opposed. As the Chief of the Defence Staff, Air Marshall Jamieson points out, "defence is a long term business there is no place for the quick fix merchant".<sup>1</sup> Continuity too, is a reflection of the "mindset" of New Zealand's political and military leaders; their attitudes on defence and strategy very much reflect views formed in the Second World War. Thus, leaders of the armed forces have, until 1983, been men who fought in the War,<sup>2</sup> and many of the political leaders (e.g. Sir Robert Muldoon, Jack Marshall, David Thomson, Duncan McIntyre, Frank O'Flynn) were also people who saw active service in the last war.

In mid 1984 as this report went to press, the possibility of some moderately substantial change, or at least change in emphasis to the pattern of unbroken continuity presents itself. The accession of the Fourth Labour Government to power, espousing a nuclear free South Pacific policy, raises the possibility of change, though its avowed commitment to the ANZUS Treaty (however paradoxical that might appear) is said to be as strong as ever. This policy is interesting in a number of ways: it illustrates the thinking of new men and women who are nearly a generation younger than the last government's rulers, and whose mindset has not been conditioned by World War Two military strategy; it illustrates the determination of New Zealand as a small South Pacific nation to attempt a foreign policy that at least has a measure of independence, and it exemplifies thinking that is deeply disenchanted by the progressive deterioration in United States Soviet relationships.

The international setting in which policy makers have to operate is extremely gloomy and foreboding. The relations between the superpowers have not been worse since the early 1950s. The

United States claims that the prospects of detente have receded because of the Soviet invasion of Afghanistan, the Polish crisis, Soviet involvement in Third World issues and the build up of Soviet naval forces in the Indian Ocean and Pacific. The USSR on its part is aggrieved at United States reluctance to resume disarmament talks, its interference in Central America (such as mining Nicaraguan waters, the Grenada invasion), and angered at the recent deployment of medium range nuclear missiles in Europe. Indeed as George Kennan argues, there has been a deterioration in superpower relationships since 1983 and in recent years a continued failure of internationalism is apparent. The leaders of both sides are old men, whose rigid attitudes seem to be based on fear, ignorance, crude stereotypes of their adversaries, shallow notions of national pride, or simplistic analysis of international events.

More generally, the two superpowers, along with many rich nations of the “North”, repeatedly disregard the desperate plight of the “South” and there is a continued lack of communication between North and South on how to deal with the debt crisis and how to formulate a better international monetary system. Most of all, with the deployment of intermediate range nuclear missiles by both superpowers, there is growing cynicism on the part of public opinion in many countries. There is a feeling that the world is increasingly trapped and helpless in the face of events. Even as late as 1983, although there were growing doubts as to the success of the American policies of nuclear deterrence, there were some hopes that with the deployment of the missiles, President Reagan might take an initiative on disarmament prior to the November 1984 Presidential elections. As 1984 nears its close these hopes are becoming ever more remote. Rather than observing a successful policy of nuclear deterrence, we appear to be witnessing another version of a pre World War One arms race, except that this time the adversaries are equipped with a vast and horrifying arsenal of nuclear weapons.

At the time of writing the defence policy initiative of the new Labour Government offers a small gleam of hope that New Zealand will not continue to be, in effect, an accomplice to its ally, the United States in its current nuclear arms race and will, without endangering its own vital interests, be able to exert a measure of independence in its foreign and defence policies in the South Pacific. It is by no means certain however, that the new Government will gain even majority support in the South Pacific - the region in which New Zealand's influence could be expected to be greatest. Currently Fiji, Tonga and the Cook Islands support the more conservative Australian stance on anti nuclear issues, while the position of Papua New Guinea appears rather ambivalent.<sup>3</sup>

## 12.2 Collective Security : From Forward Defence to Regional “Self Reliance”

New Zealand argued vehemently for the rights of small nations at San Francisco in 1946. The country's defence policy has always reflected concern over its smallness and isolation. These intractable geographic factors have led to a foreign policy in which New Zealand, fearful of being expendable in great power rivalry, has tried to earn the regard and support of the great powers by helping to contribute to collective security.<sup>4</sup> New Zealand's prompt intervention in the Korean War, assistance in the Malaya emergency, the Confrontation crisis with Sukarno's Indonesia, membership of SEATO, and support to the United States (in spite of considerable misgivings) in the Vietnam War, illustrate the point. The nation has also contributed to international peacekeeping forces. As Dennis McLean has stated:<sup>5</sup>



“New Zealand has not the weight to hope to exercise profound influence in the comings and goings of international affairs. But it has accepted long since that there is no “free lunch” in international relationships and has therefore made its costly contributions to collective security. In the process wide ranging relationships with Western powers have been built up which help serve underlying interests, particularly economic. Moreover such relationships spring naturally from the history and present make up of New Zealand life and culture”.

McLean mentions that in recent decades, the facts of geography, the influence of Polynesia on New Zealand and strategic and regional realities have made the South Pacific vitally important to New Zealand, so that today it is in fact “a country of two worlds”.

Involvement in action overseas shows that the area of concern has widened since 1951 from a defensive agreement primarily centred on Japan to potential intervention on the Asian mainland in an attempt to contain communism. As in its earlier Euro centric policy, in which New Zealanders fought in the Boer War and two World Wars, the country's defence policy essentially became a matter of support for collective security and forward defence. Appreciating that the essence of a treaty relationship is the obligations ensuing, the country's politicians have consistently been prepared for New Zealand to pay its price, often painful, in fighting other people's wars or being involved in distant trouble spots. The reward would be trade access and other benefits (difficult for a small, insignificant and remote country otherwise to acquire) and protection by the United States in time of war.

However the Vietnam War led to considerable misgivings within New Zealand about forward defence. Many people believed, rightly or wrongly, that the Domino Theory had been proved wrong, that the Vietnam War was purely an internal matter for the north and south of that country to fight over, and that our defence policy had merely led to an entanglement in a war of dubious moral or political value. With the demise of SEATO the Nixon (Guam) Doctrine drew attention to the limitations of the United States' power, calling for a greater effort at self reliance on the part of its allies. Hence New Zealand transferred much of its attention to the South Pacific region, the area for which she had responsibility under ANZUS, and instead of forward defence a new “close to home” policy was enunciated in the 1978 Defence Review.<sup>6</sup> Five years later, from New Zealand's point of view, many of the economic and geopolitical factors remained unchanged. Again it was felt that no manifest external threat existed to New Zealand's security. With the evolution of communications and weapons technology since the Vietnam War and the lessons of the Falklands campaign, the country became more and more conscious of rapidly escalating defence costs, given the deep economic recession and plight of the New Zealand economy. These factors re emphasised the 1978 thinking in the 1983 Defence Review, in which “close to home” issues of the South Pacific region again took precedence. The attempted secession in Vanuatu in 1980<sup>7</sup> underlined the importance of the need for regional co operation in the case of threats to stability or national unity and this regional self reliance met American concerns under ANZUS. The result was the creation of a small flexible force able to operate immediately to deal with a trouble spot in the region - the Ready Reaction Regular Force (R3F).

Despite the priority attached to the South Pacific, forward defence is not entirely abandoned however. Thus the end of the New Zealand force in Singapore, presaged in the 1978 White Paper, was revoked. For political reasons it was considered “not timely” to bring the Force home<sup>8</sup> and the Minister of Defence indicated that New Zealand would remain for “at least another 10 years” in Southeast Asia<sup>9</sup>.

In 1984 on the occasion of the snap election, defence matters became a major election issue for the first time for many years, expressing public disquiet at a defence budget of over \$700 million and disillusionment at the nuclear arms race and the superpower impasse. In the campaign the Labour Party renewed its promise to ban the visits of nuclear armed or nuclear powered vessels, while the New Zealand Party presented itself as a “Peace Party” that would scrap defence spending.

### 12.3 The Cost of Defence

With the rapid development of new weapon systems and changing military tactics revealed by the experience of the Vietnam and Falklands campaigns, the cost of modernising defence forces and adapting them to the new requirements has placed a very heavy burden on all countries, except those who opt for unarmed neutrality. The burden that has fallen on New Zealand is indicated in Table 12.1. The table, which shows defence spending in the last 13 years, reveals a moderate increase in real terms in 1974-75. The only substantial increases in real terms occurred however in 1980-81 and 1981-82 when New Zealand seems to have responded, no doubt to American prodding, to improve and modernise her defence forces.

Column 4 of Table 12.1 shows the defence expenditure as a percentage of GDP. In the last 13 years, defence spending has varied between 1.53 and 2.2 percent of GDP, growing slightly over the period. This is small in comparison to most countries. Norway, though somewhat richer, spends three times as much per capita as New Zealand and Singapore (though a little poorer) half as much again.<sup>10</sup> In 1981 Australia spent more than double per capita (3.3% of GNP) and the other ANZUS partner, the United States, six times as much. Of course these figures really reflect the fact that New Zealanders, living “at the edge of the world” don't feel greatly threatened, and hence are not very security conscious.

It would be wrong to assume however, that the country's relatively modest defence spending indicates the strength of neutrality or isolationism as policies. The history of the country, as Dennis McLean has said, is indeed one “of reaching out to the wider world in a determined attempt to overcome the problem..... of 'the tyranny of distance'”.<sup>11</sup> We have noted above the many occasions on which New Zealand has fought in other people's wars in order to earn the regard and support of great powers that might accept the role of protector.

The question of cost effectiveness of defence spending is of course a specialist matter, but the present ambivalence of defence policy (combining a forward defence capability with a policy of regional self reliance) seems to be reflected in a growing debate over the composition of New Zealand's arms purchases. One defence writer has claimed that the cost of one second hand frigate could have bought and equipped 48 Nomad type aircraft with improved avionics and an armoury of Sea Eagle, Exocet, Harpoon and Swedish RB40E missiles<sup>12</sup>. It does seem logical that some concentration should be developed on anti submarine, anti ship capabilities and fisheries protection

vessels. And while the traditional pride of the individual services and their units is not to be discarded lightly, is it logical to persist with the old three fold structure? Are traditional attitudes slowing modernisation in the form of radical restructuring? Rapid deployment calls for integrated structures and in general our military forces must be developed in a close and complementary relationship with the Australian military forces.

Table 12.1

NEW ZEALAND : DEFENCE EXPENDITURE AND GROSS DOMESTIC PRODUCT

| Financial Year | Total Gross Defence Expenditure | Rate of Increase % | Relationship to GDP % | Defence Expenditure in real terms <sup>3</sup> (1982 \$ million) |
|----------------|---------------------------------|--------------------|-----------------------|------------------------------------------------------------------|
| 1970-71        | 109.01                          |                    | 1.94                  | 420.4                                                            |
| 1971-72        | 121.17                          | 11.1               | 1.76                  | 414.2                                                            |
| 1972-73        | 129.83                          | 7.1                | 1.66                  | 401.5                                                            |
| 1973-74        | 140.51                          | 8.2                | 1.53                  | 398.8                                                            |
| 1974-75        | 166.85                          | 18.7               | 1.65                  | 462.9                                                            |
| 1975-76        | 193.46                          | 15.9               | 1.66                  | 476.8                                                            |
| 1976-77        | 214.83                          | 11.0               | 1.53                  | 445.8                                                            |
| 1977-78        | 252.17                          | 17.4               | 1.65                  | 449.1                                                            |
| 1978-79        | 299.51                          | 18.7               | 1.69                  | 465.5                                                            |
| 1979-80        | 346.09                          | 15.5               | 1.66                  | 456.2                                                            |
| 1980-81        | 455.94                          | 31.7               | 1.91                  | 537.8                                                            |
| 1981-82        | 593.65                          | 30.2               | 2.06                  | 593.7                                                            |
| 1982-83        | 652.13                          | 9.8                | 2.21                  | 581.5                                                            |
| 1983-84        | 709.35                          |                    |                       | 602.3                                                            |

Notes: D. McLean, "The Case for Defence", N.Z. International Review, VIII 3, May/June 1983, p.16.

1. Estimated.
2. Deflated using the implicit GDP deflator.

#### 12.4 The Nuclear Issue and Arms Control

The Americans argue that the policy of nuclear deterrence, backed by collective security, has been a success. Thus Mrs Jeane Kirkpatrick, United States Ambassador to the United Nations points out that NATO, a voluntary defensive alliance of 16 sovereign and mostly democratic countries as disparate as Norway and Turkey, the United States and Luxembourg, has presided over the longest

period of peace in modern times.<sup>13</sup> It is true that 39 years of peace from a major war (even although there have been about 50 small wars, mostly in the Third World in this period) is a substantial achievement and it is possible to argue that stable deterrence, backed by a defensive collective security treaty, in the period after 1949 in which the United States had a virtual monopoly of nuclear weapons, has been one cause of this peace. But the situation today is greatly changed from 1949, the United States no longer has nuclear superiority, and the situation of deterrence now appears to be much more unstable and unpredictable. A number of strongly nationalistic countries in the Third World are not compliant with the wishes of Washington or Moscow and the possibility exists that they could engage in hostilities that could escalate, involving their allies and even the superpowers.

The American strategic assessment has, in effect, recently been challenged by the view of the Select Committee on Disarmament and Arms Control of the New Zealand House of Representatives. The Committee noted the depth of concern of the individuals and groups who made submissions to it about the mounting dangers to world security posed by the continuing arms build up of recent decades. It reported alarm at the continuing trend in nuclear weaponry throughout the world which remains open at any time to the destabilising effects of technological development:

“The course of human affairs to which the world seems charted defies wisdom, commonsense and rationality. It is also depressing that to date the collective institutions and efforts of the international community seem to be unable to adjust this course. The threat to global security, and the individual threat to each citizen on this planet is beyond doubt the greatest challenge before mankind and the most pressing political issue facing any nation. The Committee felt that New Zealand, as a small and well respected country, could play a particularly valuable role in promoting international moves towards disarmament.”<sup>14</sup>

In reviewing the world security system today, the Committee on Disarmament and Arms Control considered that the deterrent effect of nuclear weapons was the central factor that affected not only the balance of power between the superpowers, but also to some extent the security situation in every part of the world, including the South Pacific:

“The international community now possesses roughly 47,000 nuclear warheads with a destructive power of over 12,000 megatons, the equivalent of not far short of one million Hiroshimas. There are five acknowledged nuclear weapon states, one state with a demonstrated nuclear explosive capability, and others with a suspected nuclear weapon capability. The number is likely to grow. The arms race, with all its technological and political push and pull, continues unabated. ....The fundamental question remains, however, whether sufficient progress is being made to avert the likelihood of a global nuclear conflict.”<sup>15</sup>

This argument has of course been put before by many thinkers on international strategy. As George Kennan says, referring to hardliners in the United States:

“They want more armaments, of course, nothing like this pittance of a hundred billion dollars for defence. The defence budget, they demand, should be much larger than that and, with it, the national budgetary deficit and our inflation. But suppose they get a much larger defence budget; suppose we arm to the teeth; suppose that instead of having 15,000-20,000 nuclear weapons, we make ourselves happy by having 35,000. The fact of the matter is that 200 would make life impossible anywhere we wanted to live.

But suppose we found some comfort in these vast figures, suppose we achieved a much stronger stance, and then sat back and hurled imprecations at the Soviet leaders and their system - where would we go from there? I don't see much future in this; I can't see how anyone would benefit. I suppose some naive people would then want us to say, ‘Now we are very strong - we have 35,000 of these weapons, you have only 28,000; we will put our terms to you, and you do what we want you to do, or else.’ I don't think this would work and blackmail can act both ways.”<sup>16</sup>

Lord Solly Zuckerman, himself a former “nuclear baron” and Chief Scientific Adviser to the British Ministry of Defence in 1960-67 also demolishes most of the assumptions on which British nuclear weapons policy has been built since 1946.<sup>17</sup> He argues that for 20 years now both the United States and the Soviet Union have possessed arsenals far larger than could be justified by any rational strategy of deterrence. He dismisses the concept of tactical nuclear warfare, and suggests a concept of “minimal deterrence”. Neither superpower, he suggests, need have forces any bigger than those of Britain or France in order to achieve a rational deterrent. While this intermediate position might not satisfy those who seek a much more complete ban on nuclear weapons, it is an attractive step in the right direction. However Zuckerman has no illusion that his proposals are likely to be seriously considered:

“The men in the nuclear weapons laboratories of both sides have succeeded in creating a world with an irrational foundation, on which a new set of political realities has in turn to be built.”<sup>18</sup>

Indeed the whole concept of relative advantage, as Kennan argues, is illusory, for when you are talking about preposterous quantities of overkill, the comparative sizes of arsenals have no serious meaning. The real danger lies, not in the possibility that someone else might have more missiles and warheads than we do, but first, in the very existence of these vast arsenals of “super” weapons, and secondly, in their existence in hands “as weak and shaky and undependable as those of ourselves or our adversaries or any other human beings.”<sup>19</sup>

Certainly the mutual distrust that exists between the superpowers is believed by Sir Neil Cameron, ex Chief of Defence Staff in Britain, to be so deep

“that neither is willing to take the slightest risk of being perceived as having a “window of vulnerability”. This is the reason why the

United States is determined on a hard target force [i.e. a force capable of hitting Soviet missile sites] it is not really about nuclear war fighting it is about closing the window of vulnerability. Both superpowers have more than enough nuclear effort to destroy the other several times over, but in the complicated manoeuvring and the interplay of nuclear strategies and politics, no weakness, which might possibly be exploited, can be countenanced in their respective deterrence postures.”<sup>20</sup>

The Committee on Disarmament and Arms Control considered that the maintenance of a stable deterrence relationship among the nuclear weapon states was becoming more doubtful. Moves which could lead to a pre-emptive first strike capability would undermine stable deterrence. Moreover, doubt is cast on the continued forswearing by each side of major defence measures against the other side's strategic offensive forces by the vast research programmes underway. Thus research and development is being undertaken into anti-satellite weapon systems, new anti-ballistic missile defence weapons, submarine detection and location systems. If the latter is perfected by one side, it would render the other's retaliatory force vulnerable and hence remove the cornerstone of stable deterrence.<sup>21</sup>

At the close of the Second World War national security for a small, weak country like New Zealand inevitably involved the idea of protection from a hostile power. It was this view and fear of an aggressive power like Japan that led to ANZUS. But today security is no longer attainable in this way alone. If survival is to be assured, countries are bound not only to look to their defences and perhaps to an alliance that will give protection, but also for means of controlling weapons and for exercising mutual restraint. Thus arms control and disarmament, perhaps through a policy of progressive mutual “build down”, are just as important as defence for ensuring national security or even survival in today's world. Rather than rely on a defence treaty alone for her safety, New Zealand should actively promote arms control and disarmament as well as defence through collective security. It is sadly ironic that the country that New Zealand looks to for protection and the defence treaty to which both the United States and Australia are party, provide respectively the strongest opposition and the biggest obstacle to a policy (such as the creation of a nuclear weapons free South Pacific) that would actively promote arms control.

#### 12.5 A “Nuclear Free” Policy In The South Pacific?

On the accession of the Fourth Labour Government to power in July 1984 the Prime Minister David Lange announced the exclusion of all nuclear weapons systems from New Zealand and its territorial waters. This was existing Labour Party policy that had been promised in advance of the election.<sup>22</sup> Reaction from American Secretary of State G. Schultz that the denial of port facilities to American vessels that were nuclear armed or powered, might mean the end of the ANZUS Treaty, has led to considerable speculation in Australia, the United States, New Zealand and the South Pacific as to the fate of the Treaty and alliance.

The term “nuclear free zone” really means a nuclear weapon free zone - it doesn't ban all things nuclear. Up to 1984 New Zealand has continued to observe the policy it first announced in 1957 that it will not acquire or store any nuclear weapons on its territory. Since 1969 New Zealand has

been bound, through its adherence to the Non Proliferation Treaty (NPT) not to acquire nuclear weapons. (The 118 NPT states also include Nauru, Papua New Guinea, Solomons and Tuvalu.) New Zealand's policy up to July 1984 has been very similar to that of Mexico which in 1962 formally declared that it had decided neither to possess nor to admit to its territory nuclear weapons or delivery vehicles. (Subsequently Mexico has however accepted visits by nuclear capable warships as it is entitled to do under the Treaty of Tlatelolco.<sup>23</sup>)

A regional nuclear weapon free zone would deal with three central issues - the non possession of nuclear weapons, non deployment of nuclear weapons and non use of nuclear weapons. The first step would be to establish "a zone which would prohibit the acquisition, storage, dumping of waste, basing or testing of nuclear weapons".<sup>24</sup> The purposes of establishing a nuclear weapon free zone in the South Pacific would be twofold: it would be a mechanism, supplementary to the NPT, to prevent the further spread of nuclear weapons; and it is a regional measure of arms control. It is possible that a regional zone in the South Pacific may serve as any example that will advance the cause of disarmament in other areas of the world.

Many New Zealanders appear to be unaware of the major limitations that would apply to a regional nuclear weapon free zone. Far more countries than those of the South Pacific region are affected and the five nuclear powers must be willing, at least over a period, to accept restraints on their existing freedom to introduce nuclear weapons into it. Most pertinently as the Ministry of Foreign Affairs point out:

"the United States, under whatever Administration, will not accept zone proposals which would restrict the exercise by the United States of its high seas freedoms, which would restrict the right of zone states to give transit privileges to U.S. vessels and aircraft, which were unverifiable, or which disturbed existing security arrangements. It is by reference to the last factor that the United States has refused (and will presumably continue to refuse) to have anything to do with a nuclear weapon free zone in Europe where nuclear weapons have been located for many years and where its vital interests and those of its allies are heavily engaged."<sup>25</sup>

One bright spot, on the other hand, is

"the fact that the U.S. is a party to a security treaty which the countries of Latin America (the Rio Pact of 1947 which is comparable to ANZUS but rather more far reaching in the obligations it imposes) has not prevented successive US Administrations from giving their support to the creation of a Latin American zone or from accepting obligations under the Treaty of Tlatelolco. The Reagan Administration at the end of 1981 ratified Protocol I of the Tlatelolco Treaty and thereby committed itself to the inclusion of U.S. territory Puerto Rico, the Virgin Islands, the U.S. Naval base in Guantanamo, Cuba within the Latin American zone."<sup>26</sup>

China has been the most encouraging of the nuclear states on nuclear weapon free zones. It was the only one of the five to vote for the 1975 General Assembly Resolution 3477 concerning a South Pacific Zone. The Ministry of Foreign Affairs suggests that it alone of the five nuclear states might be ready to support proposals going much further than the Treaty of Tlatelolco and purporting to place restrictions on the exercise by the nuclear weapon states of their high seas freedoms.<sup>27</sup>

## 12.6 American Policy In the South Pacific

The United States interests in the South Pacific are concerned overwhelmingly with security.<sup>28</sup> They are essentially indirect, deriving from their interests and objectives elsewhere. They view their defence treaties in an interlocking way, Casper Weinberger, U.S. for Defence, has noted that five of the seven defence treaties to which the United States is signatory are located in the Asian/Pacific region. They include bilateral treaties with Japan, South Korea and the Philippines, the Manila Pact (which adds Thailand as a partner) and ANZUS. Weinberger has noted that U.S. trade with Asian Pacific countries was valued at US\$137 billion in 1981 or 28 percent of all U.S. foreign trade - more than for any other region. The sea lanes of the Pacific on which key raw materials and this trade flows are seen to be a security matter of great importance.

The major American bases in the Pacific are of course in the Philippines (Subic Bay and Clark Air Base), Hawaii and the Territories of Guam and American Samoa. Guam has been built up as a major defence base from which American air and sea power could range to Asia or thrust into the North Pacific and link with U.S. strategic forces in Japan, Philippines and South Korea. With the Micronesian states moving in to a relationship of free association with the United States, in their acts of self determination continued economic and security links with the United States are assured in a special political relationship. The United States has leased land in the Northern Marianas for possible future use by military forces. The United States has denied Soviet allegations that it is building up Palau as a military base but retains contingency rights in Palau to do so if required.

In the event of war with the USSR, the U.S. lines of communication in the North Pacific would shift to the South and run through or near the Micronesian islands, out of range of Soviet ships and aircraft operating from the Kuril Islands or Soviet Asian mainland. The United States has also concluded defence arrangements with the Northern Marianas, Palau, Federated States of Micronesia and Marshall Islands which ensures American protection and denial of these islands as bases to any potential adversaries.

It is interesting to note that a problem in the political relationship with the United States was posed in the Palau constitution which prohibits access by nuclear powered ships and transit of nuclear weapons.

It has been pointed out that the USSR now have an ability to interdict shipping through the South China Sea from their bases in Vietnam and to close the Indonesian straits and the Strait of Malacca with mines. If such contingencies eventuated in any regional or global war, Pacific lines of communication would shift to the South Pacific, the Tasman Sea, the Bass Strait and thence westward across the Great Australian Bight to the Indian Ocean. A shorter but more difficult route would be through the South Pacific and shallow Torres Strait between Australia and Papua New Guinea.



In general, American policy in the South Pacific is not to adopt a high profile but to encourage Australia and New Zealand to play leading roles in the region. The USA also places considerable importance on regional institutions such as the South Pacific Forum. The new self governing Micronesian States are expected to soon join the Forum.

#### 12.7 Threats to Stability in the Wider Pacific Region

Currently the threats to peace or stability in the Pacific area are few and mostly small scale, or internal affairs, such as the possibility of a serious internal challenge to Marcos in the Philippines. Disputes on the border between West Irian and Papua New Guinea and the independence movement in New Caledonia could conceivably lead to bloodshed but they will probably be problems of only local significance, while the possibility of racial violence in Fiji appears to have receded considerably compared to 20 years ago. A recent Colloquium of Pacific states concluded that they faced no identifiable military threat; in the event of internal trouble that they could not contain alone, they would request assistance from their friends and nearest neighbours.<sup>29</sup>

Perhaps the largest threat in the Pacific region could come from trouble between the superpowers in the Indian Ocean, and the routes to that zone lie well to the north of New Zealand, though passing through and over the South Pacific region.

#### 12.8 Anzus the Case Against

Treaties are usually made to last for only a few years, to apply to circumstances that usually apply only for a time. General de Gaulle likened treaties to young girls and flowers they only last for a while.<sup>30</sup> Yet global strategy and the perceived enemy have changed drastically over the last 30 years. Japan, the perceived enemy in 1951, is peaceful today, and reluctant to rearm. Under present circumstances, one cannot envisage the Soviet Union wishing to attack the South Pacific; the only conceivable threat might come, as Hunn suggests, from a reincarnation of Sukarno in Indonesia.<sup>31</sup> Such a dim prospect would be primarily a threat to Australia and New Zealand would respond immediately even without ANZUS.

It has been noted that the actual scope of the ANZUS Treaty is very narrow. It is a short, simple, but rather vague statement, and if it is interpreted literally, it is limited to “the Pacific area”, “the common danger” and “constitutional processes”. As Desmond Ball has noted, the parties are bound only to “consult together”, action by any party is conditional on approval on constitutional processes, and the treaty strictly interpreted applies only to threats or attacks in the Pacific area.<sup>32</sup> Various commentators have speculated whether in fact the United States would be bound to defend New Zealand under the Treaty. Alley quotes Foster Dulles' statement of 1951 that the arrangement was based on sea and air power..... “There is no question at all of the United States ever sending troops to Australia and New Zealand.....” According to Dulles, the Australians and New Zealanders wanted “to have some appearance at least of a shield around them at home of sea and air power.”<sup>33</sup> The word “appearance” casts some doubt on the actuality of substantial military assistance. The degree of help provided would in the last resort, be at the discretion of the United States Congress.

There is abundant evidence to suggest that the value of ANZUS in American eyes is its ability to further facilitate and accommodate military developments in nuclear weapons, and to accommodate important information gathering and communication links that are part of the United States' global defence communications network (e.g. the American facilities in Australia at North West Cape, Pine Gap and Nurrangar).<sup>34</sup> The Americans are also probably glad to have their airforce base at Christchurch for the Operation Deep Freeze Antarctic Programme. And one can speculate that it helps to complete the global alliance systems that the United States has encouraged as part of its anti Soviet policies.<sup>35</sup>

The Americans repeatedly interpret ANZUS as going beyond its original geographic scope defined in the treaty as being “in the Pacific area”. Thus Paul Wolfowitz, Assistant Secretary of State for East Asian and Pacific Affairs, has suggested that the various alliances to which Australia, New Zealand and the United States belonged were interlocking. At a U.S. Australia defence conference he specifically mentioned the Five Power Defence Arrangements (FPDA) closely linking Australia, New Zealand and Britain to the security of Malaysia and Singapore. There were, he mentioned, no direct political or legal linkages between ANZUS and the FPDA, but “any potential aggressor in South East Asia must take into account that ANZUS alliance interests would be threatened by an attack engaging Australia and New Zealand forces there.”

It is clear that the objections of New Zealanders are not primarily to the Treaty as such, but to much of the “bag and baggage” or host of understandings that seem to go with it:

“The reason why ANZUS is regarded as such valuable property by the three governments concerned is not what it says, but what it has flexibly allowed, legitimised, justified and sustained, much of this falling within the broad rubric of acting 'within the spirit of ANZUS'“.<sup>36</sup>

The real problem is that ANZUS has helped legitimate the continuing growth of United States nuclear weapons capability in the Pacific. As party to the Treaty New Zealanders are seen to endorse these policies and hence are at least in part morally culpable. Since ANZUS “dances to the tune” of the arms race as Alley points out, New Zealanders have got the ANZUS arrangement that they deserve, as long as the public and the governments that they elect accept without real demur the growing costs and risks of arms unlimited.<sup>37</sup>

## 12.9 The Case for ANZUS

The usual arguments made over the last 30 years have been based on three assumptions:

- (1) That New Zealand cannot defend itself alone;
- (2) That “collective security” is our only defence;
- (3) That ANZUS is therefore indispensable.

While a little simplistic, this is a powerful argument. It has been noted that any power attacking New Zealand would have very extended communication lines that would be easy to attack; however, the country has a small military force to defend a very long coastline.

With respect to the lack of certainty over American willingness to protect her allies in times of danger, the Falklands war did illustrate President Reagan's determination to show the United States' NATO ally, Britain, that she was a reliable ally and partner. Her assistance with supply, communications, intelligence, ordnance and other help was made available to Britain even although the United States was not committed by a treaty to do so, and although such action cost the United States dearly in her relations with several Latin American countries. Recently Paul Wolfowitz has noted this fact in reassuring Australia that the Reagan administration would stand by Australia in the event of any future direct conflict with Indonesia that could not be settled by peaceful means.<sup>38</sup> Wolfowitz's statement, which was understood to have been cleared at the highest levels of the Reagan administration was a strong and specific assurance to Australia and New Zealand about the extent of the American commitment:

“Speaking for the United States, I can say that Australians and New Zealanders should rest assured that if any emergency confronts them, the American system is capable of decisive action and willing to render it.”

Earlier in his speech he is reported as saying:

“Let there be no doubt in the mind of any potential adversary that an armed attack on an ally would require, and would receive from the allies, full and prompt fulfilment of the ANZUS security commitment including, when necessary, military support.”

It is true that much of the criticism of ANZUS totally overlooks the essential element of reciprocity that any alliance necessarily involves. In return for the supposed benefits of American protection, New Zealand must contribute in various ways. Mr Warren Cooper, Minister of Foreign Affairs in 1983, noted this point:

“We get our security pretty inexpensively ..... Surely it would be wrong to say to our friends and allies: please protect us - but don't expect us to make a contribution by agreeing that your nuclear ships can come here. That's not the New Zealand way.”<sup>39</sup>

Defence officials and services personnel assert the very great value of ANZUS in practical terms.<sup>40</sup> The regular exercise that are held with the military forces of the other two partners are invaluable for training, for upgrading the skills and competence of the country's forces. Intelligence and foreign policy co operation also brings benefits, with much that is of advantage rubbing off on to New Zealand, the smallest and poorest of the three allies.

The defence establishment must always be on its guard given the unpredictable world in which we live. There is no immediate discernible threat at the moment. However, as Dennis McLean argues:

“One of the quickest ways to ensure that a threat did arise would be for regional countries to abdicate their regional responsibilities. On the one hand, this might cause the United States to believe that it

had to demonstrate its interests. On the other hand the USSR would be tempted by the very absence of any presence to take its own initiatives. The one could readily lead to the other.”<sup>41</sup>

This report argues for fuller recognition of our regional responsibilities rather than any abdication and the Mutual Assistance Programme (see below) prevents any vacuum occurring in the region.

But the real case for the alliance, and one which puts it into proper perspective, was provided by McLean on another occasion:

“There can be no doubt that Australia and New Zealand are firm allies of the United States, the leader of the West in the principal issue of our times the confrontation between the free world and Soviet communism. But of course all of a superpower's preoccupations do not automatically transfer to two smaller regional countries. Equally in a situation where there is no perceptible direct threat to New Zealand or Australia it cannot be supposed that their more localised concerns will always be seen in the same light by the United States. If this leaves unclear questions to do with the scope of the ANZUS commitment or its firmness in particular hypothetical circumstances, so be it. The single most important fact about this alliance is that it provides the structure within which each and every issue bearing on the strategic interests of the partners can be broached. The essential question that should be asked therefore is whether that structure helps or hinders the members in seeking satisfaction on the matters that concern them. Successive New Zealand Governments have made it clear that it is not only helpful but invaluable as a means by which a smaller regional country can gain the ear of a superpower.

Those who would have a regional partner such as New Zealand repudiate ANZUS generally have nothing to say as to how otherwise we might hope successfully to conduct our strategic relations with the United States and Australia. It should be as plain as a pikestaff that the conduct of those relations will have to go on inside the ANZUS or out. The clear cut set of national interests involved in dealings between countries, the complex inter play of issues in the Pacific, the questions of military preparedness, will all be there requiring attention regardless of whether an alliance exists, is active or has crumbled. Those who would have it crumble have to ask themselves what they would put in its place to handle these basic practical day to day issues between the partners, since they will always be there.”<sup>42</sup>

In view of the Team it is for reasons such as these that successive New Zealand Governments choose to keep ANZUS. It is noteworthy that the new Labour Government, while declaring that the visits of nuclear armed or powered vessels will no longer be acceptable, state a desire to retain

ANZUS, even although annual Labour Party Conferences vote for New Zealand leaving the alliance.

Moreover there would appear to be considerable truth in the statement of the previous Minister for Foreign Affairs, Warren Cooper, that if a nuclear free New Zealand policy is followed, the country is likely to find it more difficult to gain market access and other economic benefits in the United States. To the extent that New Zealand foreign policy is primarily concerned with trade, the nuclear free policy and any attempt to withdraw from ANZUS would probably be detrimental. While no overt “blackmail” would occur, doors that might previously have been opened to New Zealand would now probably be shut.

#### 12.10 Assessment

In sum there is value in retaining a treaty link with the United States, partly because of the many practical benefits that it brings and because it enables a small power to gain the ear of a superpower. Although most of Hunn's cogent arguments are sound, few analysts would go so far as to abandon entirely collective security as the basis for New Zealand's defence. The essence of the task is to find ways of reciprocity with the United States (and Australia) which are real and valuable, yet allow New Zealand to work actively for nuclear disarmament and arms control. (Retention of the U.S. base at Christchurch for Operation Deep Freeze is one example). This is a diplomatic task, and doubtless one of great difficulty. Is compliance with United States policy on nuclear weapons and admission of its allies' nuclear capable vessels the conditions that New Zealand must adhere to if a defence alliance with the United States is to survive? If so, many New Zealanders would prefer to end the alliance. It may well be that a relationship like that between the United States and the Latin American countries who have signed the Treaty of Tlatelolco is possible for New Zealand. It is encouraging to note however, that pursuance of an anti nuclear policy would be fully in accord, if not, one can say ironically, with the “spirit of ANZUS” but with the actual letter of the Treaty. The preamble reaffirms their faith of their parties in their purposes and principles of the United Nations and the desire “to strengthen the fabric of peace in the Pacific Area”. It is encouraging too that New Zealand's unwillingness to accept the Omega navigation station in New Zealand led to its installation in Australia instead. Moreover, although the truth is not yet fully known about New Zealand's role in the Vietnam War, it is encouraging to learn that Mr. Holyoake was at times a dissenting voice, in spite of his hardline policy against anti Vietnam protest groups (including Church groups) within New Zealand.<sup>43</sup> In spite of this honourable and courageous action we must not lose sight of the fact that New Zealand aided and abetted American intervention in an unjust war. Will the same story happen again over nuclear weapons?

#### 12.11 New Zealand's Security Role in the South Pacific

For many decades New Zealand has been involved, in one way or another, in the defence of what it considered to be its vital interests in the South Pacific. An unfortunate episode was the over reaction of New Zealand rulers and the use of military forces to deal with the Mau movement in Western Samoa in 1929 when New Zealand was the trusteeship power, an event which culminated in the death of the High Chief Tamasese and at least seven other Samoans.<sup>44</sup> New Zealand's larger allies gradually accepted that New Zealand could play a military role in the region and in 1938, a

year before World War II, New Zealand forces were asked to go to Fiji to assist the colony with its defences. The islands were seen to be the outer perimeter of New Zealand's defensive system – a kind of buffer zone (such as the Solomon Islands in the Japanese attack) through which any invading force would first have to penetrate. This concept still has some relevance, though less with inter continental ballistic missiles. After the War, New Zealand continued the role in the region of the South Pacific north of New Zealand, assisting with training programmes the two island groups that had military forces – Fiji and Tonga – and providing surveillance and protection for the other island groups that did not. New Zealand has the statutory requirement to defend Niue, the Cook Islands and Tokelau.

This role calls for a wide ranging capacity on the part of a country with small defence forces, yet which might be required to operate over vast areas in island societies that vary greatly. This role has led to the development of the R3F as a flexible, highly mobile group that could respond immediately to all kinds of problems with the region. It is intended that this role could also apply to civic disasters, such as the occurrence of hurricanes, volcanic eruptions and the like.

The Review of Defence Policy in 1972 contained almost nothing on the South Pacific except:

“In the Southwest Pacific, two of New Zealand's closest neighbours, Fiji and Tonga, have become independent since 1966. In the next decade more will follow suit, notably the territory of Papua New Guinea. Like countries in Southeast Asia, some of these independent states are likely to have to cope not only with acute problems of economic underdevelopment, but also with a shortage of experienced administrators, unsettling social changes, and possible communal and tribal tensions. Developments in the area might attract the competitive rivalry of those great powers which in the past have tried to exploit similar weaknesses elsewhere for their own benefit.”<sup>45</sup>

This statement suggests that New Zealand remained vigilant and perhaps played a slightly proprietorial role over the region.

New Zealand now has the capacity to communicate with all Islands by radio. Once every three weeks a flight travels right around the island groups. New Zealand and Australia have gone to some lengths to gain this surveillance capacity (currently Australia is proposing ocean going patrol boats as part of an aid package). The assistance that New Zealand provides through the flights of RNZAF Orion aircraft, while on routine security patrols, have been invaluable to the island states in monitoring the numbers of fishing vessels and noting those trespassing in island exclusive economic zones.

#### Mutual Assistance Programme (MAP)

The programme aims to support New Zealand foreign policy objectives by strengthening bilateral relations in defence with countries which share common strategic interests with New Zealand, and to increase the effectiveness of the Armed Forces. MAP is maintained with 8 Pacific and ASEAN

countries (Fiji, Indonesia, Malaysia, Papua New Guinea, Philippines, Singapore, Thailand and Tonga).<sup>46</sup>

The main advantage of MAP to New Zealand is the access provided to train New Zealand forces in a variety of difficult tropical environments and deployment opportunities in these countries. Jungle survival training, for example, can be carried out. In return New Zealand provides training in the host country and also a variety of forms of training, and company sized joint exercises in New Zealand.

In addition to military training, trade training is provided to Fijian and Tongan forces. A trade training scheme was established in 1974 for the Royal Fijian Military Forces (RFMF) and a rural development unit in the following year. In addition to the usual trades, training has been provided in such fields as diving. In 1983 177 members of the RFMF attended courses or received on the job training under MAP and 32 members of the Tonga Defence Services (TDS). In the period 1973-1983 1,463 Fijians and 220 Tongans came to New Zealand for training, which occasionally involves apprenticeships.

Civic action programmes are an extremely valuable spin off role of New Zealand tropical training exercises. Thus the Report of the Ministry of Defence in 1979 notes that exercises in Fiji that involved over 500 personnel also led to the construction of foot tracks, a small cattle yard, a concrete water tower, a mosquito eradication programme, the drainage and clearing of water sources in several villages and the collection of blood samples for the Fiji health authorities. In 1978 in Tonga two Army field hospitals helped the local hospital, provided refresher training for nurses, and undertook a typhoid carrier detection programme. To improve access for shipping, Army engineer teams have carried out reef gapping tasks in Tuvalu and Tonga. An 800 metre causeway was constructed between two Tongan islands in 1979. Aerial reconnaissance surveys, search and rescue, and delivery of materials to remote villages by helicopter are other tasks performed.

In 1980 New Zealand forces were deployed for five months to the Solomon Islands, carrying out tasks on the islands of Guadalcanal, Makira, Malaita and Gizo. They constructed bridges and a wharf extension, provided a water supply for various villages, surveyed a site for an airstrip and assisted in dealing with unexploded wartime explosives.

The Annual Report for 1978 described the tasks undertaken by New Zealand military personnel for that year:

“...RNZAF Hercules aircraft transported dairy factory machinery and building materials, together weighing 58,000 lb., to Katmandu in June and August. An RNZAF Hercules carried an Iroquois helicopter and 16 RNZAF personnel to Honiara (Solomon Islands) on 19 May. For the next 20 days this detachment undertook disaster relief operations made necessary by a devastating earthquake which had hit the island in April, delivering food to villages whose supplies had been destroyed by the earthquake. RNZAF aircraft also carried emergency diesel supplies weighing 35,000 lb. to Rarotonga in February and 48,000lb. of technical equipment to Burma for the

Myitkyina Technical High School in March. In September 1977 the RNZAF transported a joint Army/Department of Health medical team and 25,000 lb. of emergency medical supplies to Tarawa in connection with the cholera outbreak in the Gilbert Islands. It also evacuated a patient from Hastings Hospital to Rarotonga and a casualty patient from Norfolk Island to New Zealand.”<sup>47</sup>

Help provided at times of natural disasters is especially valuable:

“In June Iroquois, Andover, and Sioux aircraft were used to provide assistance for the Fiji Government in the wake of Cyclone Wally. Within 12 hours of receiving the call an RNZAF Hercules carrying a helicopter, Army tents, and blankets was on its way to Fiji landing at Nadi only an hour or so after it became operational again after the storm. In 84 hours of flying operations over a period of seven days, two RNZAF helicopters delivered over 100 tonnes of food, blankets, tents, and medical supplies to the victims of the flooding, and carried 500 passengers, including sick and injured villagers and medical and survey parties.”<sup>48</sup>

Later RNZAF engineers supervised the building of a number of hurricane relief houses in the Navua district of Viti Levu. During a similar relief operation during Hurricane Oscar in Fiji in 1983 a RNZAF Andover became the first large transport aircraft to land on the tiny coral airstrip at Kadavu to deliver tents to homeless villagers.<sup>49</sup>

These examples show that New Zealand military forces contribute effectively to civic action in the South Pacific in numerous peaceful ways. Such action makes the role of military forces much more acceptable and palatable. It is, however, a two edged sword, for such worthy activities could be used to disguise New Zealand's alliance with and participation in action that contribute to a nuclear arms race.

## 12.12 Conclusion

It is ironic to reflect that New Zealand, a small, weak, and remote country on the world stage, is considered a big country by the small states of the South Pacific. Just as New Zealand seeks to avoid abject dependence or sycophantic clientism in its defence and economic policies, so it is equally important that the small states should not have to play the same kind of role vis a vis New Zealand.

The increasing emphasis on a “close to home” defence role especially since 1978, has strengthened links with the South Pacific but the fact that New Zealand continues to “belong to two worlds” introduces a schizophrenic or even ambivalent character into her defence and foreign policies. This could lead to a lack of decisiveness about the precise role and nature of New Zealand's defence forces in the future and the weaponry that would accordingly be most appropriate. It is stressed however that the security of the citizens of New Zealand and the South Pacific require dual policies, emphasising disarmament and arms control as well as defence through collective security. Since the



United States retains American Samoa as their rest and recreation port of call in the South Pacific for nuclear capable vessels (a base they would be most unlikely to relinquish in a nuclear free South Pacific) the Americans might accept New Zealand's refusal to continue this role. Preservation of a degree of independence in pursuit of such goals will not be easy in the alliance with the United States and Australia. The defence interests of the latter are very different from New Zealand and even before the present government it has usually been "hawkish" for Australia adjoins the Indian Ocean and lies closer to Southeast Asia. There is no question of Australia not retaining close bilateral defence arrangements with the United States. Dissent within the alliance will not be easy for New Zealand would usually be out voted two to one by its larger and more powerful allies and dissent can often be represented as "bloody mindedness". But an encouraging start has already been made by the Fourth Labour Government in stating an independent yet moderate and reasoned position.<sup>50</sup> In essence it is similar, yet rather less doctrinaire than that of Norman Kirk's Third Labour Government:

"The government which I lead is determined to find and hold to a firm moral basis for its foreign policy. It may be said that the only basis for a sound foreign policy is the national interest. I see no contradiction. I believe that to base our foreign policies on moral principles is the most enlightened form of self interest. What is morally right is likely to be politically right."<sup>51</sup>

## NOTES TO CHAPTER TWELVE

- <sup>1</sup> Air Marshall E. Jamieson, Address to Institute of International Affairs, Wellington, November 1983.
- <sup>2</sup> J. Beaglehole, "The View from the Top", Pacific Defence Reporter, 10, 12, June 1984.
- <sup>3</sup> A statement by Prime Minister, Michael Somare stressed that Papua New Guinea relied on U.S. protection for its defence. The Dominion 5 September, 1984. It is likely that a number of island states will develop stronger bilateral defence links with the United States in the future. This is part of the overall integration of island societies and economies with the larger metropolitan countries, including Pacific rim powers like the United States and Canada.
- <sup>4</sup> Keith Jackson, "Attitudes and Alliances 1945 1976", in John Henderson, Keith Jackson and Richard Kennaway (Eds.), Beyond New Zealand : The Foreign Policy of a Small State, Methuen, Auckland, 1980, p. 18.
- <sup>5</sup> D.B.G. McLean, "New Zealand Defence Policies in the Pacific Setting". 29 July 1982.
- <sup>6</sup> Dalton West, "The 1983 Defence Review: Prospects and Implications", N.Z. International Review, IX, 3, May June 1984, p. 2.
- <sup>7</sup> Roger Clare, "Prophet in Paradise", N.Z. International Review, V, 5, Sept/Oct., 1982.
- <sup>8</sup> Defence Review 1983, Government Printer, Wellington, p. 18.
- <sup>9</sup> James Clad and V.G. Kulkarani, "Keep the Flag Flying", Far Eastern Economic Review, 7 June 1984.
- <sup>10</sup> John Turner, "What price New Zealand's security?", New Zealand International Review, VI, 6, November/December 1981, pp. 14-16.
- <sup>11</sup> D.B.G. McLean, "New Zealand's Defence and Strategic Interests in Asia", address to U.S. Asia Institute Washington D.C., 18 June 1984, p. 2 (McLean, 1984c).
- <sup>12</sup> R. Alley, Alternatives to ANZUS (1984) Vol.2:17.
- <sup>13</sup> Bridget Bloom, "Issues swept under the carpet", article in Financial Times, London, republished in The Dominion, June 11, 1984.
- <sup>14</sup> Draft Report to the House of Representatives of the Select Committee on Disarmament and Arms Control, Draft 2B, Wellington, 1984, p. 4 (Referred to hereafter as Committee on Disarmament and Arms Control (1984)).
- <sup>15</sup> Committee on Disarmament and Arms Control (1984) : 9.
- <sup>16</sup> George F. Kennan, The Nuclear Delusion : Soviet American Relations in the Atomic Age, Pantheon Books, New York, 1982, pp. 66-67. Kennan also believes it to be very unwise to demand political concessions from the Russians, for example as a quid pro quo for American wheat.
- <sup>17</sup> Solly Zuckerman, Nuclear Illusion and Reality, Collins, London, 1983.
- <sup>18</sup> Zuckerman (1983).
- <sup>19</sup> Kennan (1982) : 175-82.
- <sup>20</sup> Sir Neil Cameron, "Deterrence and the Superpower Balance", in Richard Harris (Ed.), What Hope in an Armed World, Pickering and Inglis, Basingstoke, 1982, pp. 21-22.
- <sup>21</sup> Committee on Disarmament and Arms Control (1984) : 21-22.
- <sup>22</sup> David Lange, "Trade and Foreign Policy : A Labour Perspective", N.Z. International Review, IX, 5, Sept/Oct., 1984, pp. 2-4.
- <sup>23</sup> Committee on Disarmament and Arms Control (1984).
- <sup>24</sup> Lange (1984) : 4.
- <sup>25</sup> Minister of Foreign Affairs, "Attitudes of the Nuclear Weapons States to Nuclear Weapon Free Zones", Appendix V to Committee on Disarmament and Arms Control (1984).
- <sup>26</sup> Ibid.
- <sup>27</sup> Ibid.
- <sup>28</sup> John C. Dorrance "United States Security Interests on the Pacific Islands", MS. Washington D.C., January 1983. See also Evelyn Colbert "The Alliance : common interests" N.Z. International Review, V, 6, Nov/Dec., 1980. U.S. Information Services, Embassy of United States, Wellington, releases on "Defence" and "Presidential Statements", July 1984.
- <sup>29</sup> Colloquium on Special Needs of Small States, Victoria University of Wellington, August 13-14, 1984.
- <sup>30</sup> McLean (1984).
- <sup>31</sup> Sir Jack Hunn, "Looking for an Enemy", The Listener, August 20, 1983, p. 17.
- <sup>32</sup> Desmond Ball, "The Anzus Connection: the Security Relationship between Australia, New Zealand and the United States of America", in T.J. Hearn (Ed.), Arms and Disarmament in New Zealand, The Papers and Proceedings of the Eighteenth Foreign Policy School, University of Otago, 1983.
- <sup>33</sup> Roderick Alley, "The Alternatives to Anzus : A Commentary", in R. Alley (Ed.), Alternatives to Anzus, Vol. 2, The N.Z. Foundation for Peace Studies, Auckland, 1984, p. 14.
- <sup>34</sup> Ball (1983).

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Henry D. Albinski, "New Zealand and Anzus: a United States Perspective" in Henderson, Jackson and Kennaway (1980) : 46-51.

Alley (1984) : 20.

Ibid.

Michael Richardson, "Will New Zealand upset the ANZUS apple cart?" Pacific Defence Reporter, August 1984, p. 28.

Warren Cooper, "Who Defends New Zealand?", The Listener, September 17, 1983, p. 24.

Interview with Dennis McLean, Doug Law and Paul Sinclair, Ministry of Defence, March 1984. See also Major General Poananga, "New Zealand the South Pacific: Defence/Strategic Questions", Ministry of Foreign Affairs, New Zealand and Anzus, a collection of papers, May 1982, pp. 14-30.

D.B.G. McLean "New Zealand's Defence Policy and Strategic Outlook", Centre for Strategic and International Studies, George Town University, Washington DC., and Pacific and Asian Affairs Council, Honolulu, June 1984, p.6 (McLean, 1984b).

D.B.G. McLean, "The American Dimension to New Zealand Defence and Regional Security Interests", paper delivered to the Conference on Australia-United States Relations, Pennsylvania State University (McLean 1984c), June 1984, p.6.

The first major attempt to review New Zealand's involvement in Vietnam brought to light evidence which "showed that the pressure exerted on New Zealand by our ANZUS allies made it seem inevitable to K. Holyoake that we join a war New Zealand had analysed from the outset as being misguided and unnecessary." Alister Barry's research for a television series on Vietnam: see The Dominion, March 21, 1983.

Jackson (1980) comments that New Zealand official statements during the war to her allies that the "New Zealand Government fully understands the circumstances" that led to United States action did not significantly comment on the wisdom of the actions themselves, whereas Australian comment expressed "wholehearted support". New Zealand was however "the insignificant ally lacking the moral, physical or economic strength to stand apart from its partners yet unwilling to subscribe whole-heartedly to their cause." Keith Jackson, "New Zealand and the Vietnam War: A Retrospective Analysis", in Henderson, Jackson and Kennaway (1980): 56-61.

I.C. McGibbon, "New Zealand's Military Policing Activities in the Pacific Islands: 1919-30", Ministry of Defence, Wellington, 1976. At least 12 were wounded. Boyd (1969) gives 11 dead and 30 wounded. The N.Z. police suffered one killed and six wounded, one severely. The problem of "policing" trouble spots in the South Pacific was first faced by Prime Minister W.F. Massey in 1919 when returned servicemen on Rarotonga claimed they were overcharged by local traders and went on the rampage. The authorities vainly requested assistance in the form of a warship and armed men from neighbouring Tahiti (McGibbon, 1976: 1) A serious strike also erupted in Fiji in 1920.

Review of Defence Policy, 1972, p.11.

Paul Sinclair, "Defence and Cooperation" New Zealand International Review, VI.3, May/June 1981, pp.12-15; Ministry of Defence, "Mutual Assistance Programme", Wellington, n.d.

Ministry of Defence, Annual Report for 1978, p.13.

Ministry of Defence, Annual Report for 1980, p.13.

Ministry of Defence, Annual Report for 1983, p.8.

Lange 1984; O'Flynn 1984.

Norman Kirk, quoted in Jackson (1980):21.



## CHAPTER THIRTEEN

### SHIPPING, INDUSTRIAL DEVELOPMENT AND TRADE ACCESS

#### 13.1 Introduction

During the past decade, New Zealand has taken a number of institutional initiatives in the field of South Pacific economic development. The Pacific Forum Line (1978) was a response to the desire of Island Governments to secure regular cheap shipping for their exports (and, of course, their imports); the SPARTECA agreement of 1980 provided non reciprocal duty free access for islands' producers to the Australian and New Zealand markets; and the Pacific Islands Industrial Development Scheme (PIIDS) of 1976 extended to the Pacific Islands the type of investment incentives which were common in New Zealand's own regional development policies in the 1960s. All three programmes were the product of a particular vision of the development process, which placed emphasis upon industrial development as an employment creator, and export production as the desirable leading sector. The popularity of such models world wide followed the impressive performance of a few newly industrialising East Asian economies in the late 1960s and early 1970s<sup>1</sup>; and although observers recognised that "no Island nation in the Pacific is close to becoming a Taiwan or Hong Kong"<sup>2</sup>, there were obvious political gains to be made from first promoting, and then acceding to, demands from Island Governments for a more suitable environment for industrial development. Reliable shipping, unrestricted access to the Australian and New Zealand markets, and investment aid for promising industrial projects, added up to an attractive looking package.

From the point of view of the larger Pacific island nations, whose economic future hinges unavoidably upon success in export promotion, the PFL/PIIDS/SPARTECA package represented a clear gain, putting in place some of the necessary preconditions for economic development. Those larger nations, however, are not the focus of the present study. In relation to the five micro economies with which we are concerned, the importance of such "development promoting" reforms is far less, firstly because the prospects for "development" of this type are slender, and secondly because several of the micro economies already enjoyed special status so far as shipping and market access were concerned. The three New Zealand-associated economies (Niue, Cook Islands and Tokelau) have always had duty free access to the New Zealand market and subsidised transport links, particularly shipping. They have also had over the past three decades strong aid inflows from New Zealand which would have made possible the establishment of major industrial projects had such projects made commercial sense. It should be noted, furthermore, that in the one industrial activity which has shown real "viability" over the long run - namely clothing manufacture on Rarotonga - the financing of necessary investment has never been a constraint, given the benefits to New Zealand merchants of having cheap clothing produced offshore in a country which was closely integrated to the New Zealand market. Hence, although PIIDS has certainly been involved in the financing of a couple of recent ventures in the apparel area it is by no means evident that the PIIDS scheme was a necessary condition for the establishment or success of those ventures. In another area of industrial activity in the Cook Islands - fruit juice canning - the existence of the PIIDS scheme appears to have supplied no significant leverage to offset the brutal realities of economic decline.

The PFL/PIIDS/SPARTECA package may have had more impact in the cases of Tuvalu and Kiribati. The function of the package there was to turn the economies of those two countries increasingly towards New Zealand; the dominant element in this increased integration at the level of trade has been a rise in New Zealand's share of imports to the two countries, attributable partly to the PFL feeder service, and partly to the increased orientation towards New Zealand of traders and politicians in Tuvalu and Kiribati. To date no PIIDS ventures have got off the ground in either, and the end of the Banaba phosphate trade has sharply reduced New Zealand's imports from Kiribati; SPARTECA, while welcome, has little to offer a copra producing atoll economy.

Overall, it is necessary to separate the evaluation of the three programmes themselves from the evaluation of their impact in the five mini-states. With the sole exception of the PFL feeder service to Tuvalu and Kiribati, it must be said that the PFL/PIIDS/SPARTECA package has been of only the most marginal significance to the economies covered by this study. The real targets of the package have been elsewhere – the larger Pacific nation states such as Western Samoa, Fiji, Tonga or Papua New Guinea; and the improvement of the New Zealand Government's political image in the forums of the region and the world. The Cook Islands Niue Joint Shipping Service – a sub regional parallel to the PFL – merely extended a long tradition of New Zealand Government provision of shipping services for those two economies; its establishment however implied some stabilisation and improvement of the existing service, and therefore merits some discussion under the heading of this chapter.

### 13.2 Shipping

In communities as isolated and scattered as the Pacific Islands, sea and air transport are inevitably of paramount importance in the widening of economic and social horizons. Nearly thirty years ago, the Belshaw Stace Report devoted a chapter to shipping, which noted the deterioration of shipping services since the 1930s and the problems posed in the 1950s by infrequent and irregular services:<sup>3</sup>

...The shipping service to the New Zealand market is a matter for concern on all sides. Insufficiently frequent, and often uncertain, shipping has led to wastage, frustration and disincentives to produce....

Even with a better ship than the “Maui Pomare”, the probability must be faced that shipping will operate at a loss. We consider a subsidy in the form of meeting such a loss as equally desirable with others for which the Government is responsible...

They argued for two ships, rather than one, on the New Zealand run, to provide sufficiently frequent services to meet the needs of producers of perishable fruit; and for improved inter island shipping, including a Government owned vessel.

Similar issues were recognised during the 1950s in Tokelau, where the end of the pre World War II era of private trading schooners left the Group dependent upon vessels chartered, and paid for, by the Administration. The charter cost of shipping amounted to a substantial proportion of the value of total exports and store goods carried.

TABLE 13.1

Tokelau Shipping Costs and Trade  
Annual averages, 1982 NZ Dollars

| Period<br>(March<br>years) | Charter fees | Value of total<br>private trade* | Charter fees as<br>% |
|----------------------------|--------------|----------------------------------|----------------------|
| 1954-63                    | 54,137       | 138,987                          | 39                   |
| 1964-73                    | 73,246       | 306,994                          | 24                   |
| 1974                       | 67,563       | 391,490                          | 17                   |
| 1975                       | 181,568      | 660,000                          | 28                   |
| 1976                       | 184,424      | 458,000                          | 40                   |
| 1984                       | 226,698**    | 482,187                          | 47**                 |

\*Excluding government imports for which we have no data; includes export earnings and shore- goods imports.

\*\*Including cost of fuel. Excluding fuel the percentage is 32%.

Sources: Annual reports 1954 1976; Tokelau Office for 1984.

It can be seen from Table 13.1 that although there has been considerable variation, shipping costs between Apia and Tokelau have seldom been less than 25% of the value of trade carried, and the impact of the mid 1970s oil shock brought a distinct increase in the cost of shipping a dollar's worth of Tokelau trade. Under these circumstances, it seems clear that shipping subsidies will continue to be an inescapable part of the Tokelau budget.

### 13.3 Current Issues

Present discussions of shipping generally start from the difficulties of placing either internal (inter-island) or external shipping links of the mini economies on any sort of commercial basis. Small tonnages and long distances mean that commercial shipping services tend to be infrequent and irregular. In Tuvalu, for example, the Karlander Line has operated roughly four voyages per year, but with vessels of 13,000 tonnes or more which require cargoes of at least 500 tonnes to make the trip economic<sup>4</sup>; at least one recent sailing has been cancelled for lack of cargo. The subsidised Pacific Forum Line feeder service to Funafuti carries cargoes averaging less than 200 tonnes on a fortnightly basis, and contributions to the PFL subsidy absorb a large proportion of Tuvalu's bilateral aid allocation from Australia.<sup>5</sup>

In the case of the Cook Islands and Niue, the Joint Shipping Service operated by the New Zealand Shipping Corporation absorbs subsidies of the order of about \$5 million annually, operating two ships (in order to assure Aitutaki banana growers of a fortnightly service if needed). The existing level of service seems adequate to meet the (low) expectations of both importers and exporters in Niue and the Cook Islands; the former dissatisfaction with shipping schedules has largely been replaced by worry that the present subsidy level may not be politically sustainable over the long haul.

#### 13.4 The Cook Islands Niue Joint Service

From 1960 to 1970 the main shipping service between the Cook Islands and New Zealand was provided by a purpose built ship, the “Moana Roa”. Towards the end of the 1960s, losses mounted, and in 1970 there was a sharp increase in freight rates, to which the Cook Islands Government objected. The outcome was the establishment in 1970 of the Cook Islands Shipping Company, in which the Cook Islands Government held a half share (raised in 1972 to 100%). The new company bought a second hand ship, the “Lorena” with a New Zealand crew, and ran it in competition with the “Moana Roa”, with the result that both lost money. Repair bills for the “Lorena” proved heavy, and the New Zealand Government was unwilling to pay; in 1974 the Cook Islands Shipping Company's shares, assets and debts were transferred en masse to the New Zealand Shipping Corporation, and the Cook Islands Government abandoned its attempt to operate its own shipping venture.<sup>6</sup>

The shipping issue remained politically contentious, however, and New Zealand's wish to defuse it led in June 1975 to the formal establishment of the Cook Islands/Niue/New Zealand Joint Shipping Service, by a meeting of Ministers from the three Governments. The stated aim of the new service was to ensure “regular and adequate shipping services to ensure the optimum economic development of the three countries”, and the New Zealand Government agreed to meet the operating losses,<sup>7</sup> although by 1977/78 when these losses reached \$2.45 million New Zealand began to press for increased freight rates to keep the losses within limits.<sup>8</sup> Between 1977 and 1982, the freight rates for Cook Island and Niuean exports to New Zealand were periodically adjusted to keep them more or less constant in real terms,<sup>9</sup> and operating losses remained virtually unchanged in real terms also, although in current dollars the loss had risen to \$5.2 million by 1983/84.

The JSS was operated for the three participating Governments by the New Zealand Shipping Corporation, initially with the “Lorena” and the “Toa Moana” (which had replaced the “Moana Roa” in 1974); then with the “Toa Moana” and the “Luhesand”. In 1978 these were replaced with two secondhand ships, the “Tiare Moana” and the “Fetu Moana”, the purchase of which appears with the benefit of hindsight to have been commercially very dubious. Both ships were older than the “Toa Moana”, both were due for their twelve year surveys and were in poor condition. The purchase price of \$3 million each was high, and was compounded by the need to spend \$3 million more on repairs during their first three years. By 1982 both ships were coming up for their 16 year surveys in 1983, were showing their age, and incurring rapidly rising costs. The impact of inflation on both freight rates and operating losses caused alarm among the three governmental partners, and led to the commissioning of the 1982 study by Fletcher Consulting Services.

The Fletcher Report presented a large amount of statistical data on the service, and a comprehensive critique of its operations. The basis of the service, the Report pointed out, was “an implied aid mechanism within New Zealand's commitment to assist development in the Cook Islands and Niue”. The aim, therefore, should be to achieve the desired level of service at minimum possible cost. Having evaluated the JSS, the Report reached the following view:<sup>10</sup>

The two vessels currently operating in the link under the management of the Shipping Corporation of New Zealand are both due for expensive 16-year (quadrennial) surveys early in 1983 and



in any case are nearing the end of their useful lives under the New Zealand flag.

The capacity of the vessels is more than sufficient to accommodate the dominant northbound trade. There is a severe trade imbalance with a ratio northbound to southbound of almost 4:1, thus causing a significant under utilisation of available shipping space.

It is considered that the present service is:

Technically Deficient, because the ships are outdated, costly to run and maintain, have excessive manning, and suffer from poor stability.

Operationally Obsolete, because it is outmoded and unable to adopt less labour intensive and more highly productive cargo handling methods and management systems.

Commercially Acceptable, because it provides the required level of service and customer satisfaction, particularly in relation to island exports.

Financially Disastrous, because annual losses are roughly equal to gross annual revenue and because of the highly imbalanced cargo flows.

Politically Inadequate, because it is not a joint venture in practice, and the Cook Islands and Niue governments have so far been unable to make a maximum contribution to policy making and management.

Few advantages will accrue by retaining the service in its present form.

A number of strong recommendations flowed from this appraisal. The Report recommended (a) the prompt replacement of the two ships before their 1983 surveys came due; (b) the separation of management and accounting systems for the JSS from the general activities of the New Zealand Shipping Corporation (which would enable the partners at least to have before them systematic accounts for the service), (c) that one of the replacement vessels should be a Cook Island flag vessel with an island crew; (d) that freight rates should be stabilised by linking them to cost of living increases in the three countries; and (e) that Aitutaki should continue to receive calls roughly every fortnight. The Report considered that the amount of operating loss could be halved (from \$4.5 million to \$2.2 million), partly through the greater efficiency of newer vessels, and partly because of the lower crewing cost of a Cook Islands flag vessel.

Data contained in the Fletcher Report strongly suggested that the crewing requirements and wage rates enforced by the New Zealand maritime unions accounted for most of the subsidy

required for the service. For a service run on the “optimum frequency” schedule (“Schedule A”), the annual subsidy required for two secondhand vessels with New Zealand crews was estimated to be \$4.3 million; for one New Zealand and one Cook Island vessel \$2.2 million; and for two Cook Island vessels “assuming no industrial constraints” \$0.5 million.<sup>11</sup> The clear implication appears to be that well over 80% of the subsidy required to meet operating losses on the JSS corresponds to the extra costs incurred as a result of applying New Zealand award manning scales.

The New Zealand Government's willingness to subsidise the JSS over the past decade thus appears simultaneously to defuse two potentially difficult political issues: the provision of regular shipping to the Cook Islands and Niue at freight rates comparable to those ruling elsewhere in the South Pacific; and the avoidance of confrontation with the New Zealand maritime unions over the possible replacement of New Zealand by island crews. (The latter issue had come to a head in 1973 in the case of the Nauruan ship “Enna G”, whose low manning scales and wage rates caused a major industrial confrontation. A meeting at Waitangi between New Zealand and Island politicians, officials and the maritime unions resulted in an agreement that the position of New Zealand crews in the islands trade would be protected, and so called “cross trading restrictions” enforced. In this context, the subsidisation of the Joint Shipping Service was a relatively cheap way for the New Zealand Government to avoid possible industrial disruption in major ports.)

It is, therefore, not difficult to identify the problems of the Joint Shipping Service from a commercial or economic point of view. At the same time, none of the parties involved has much incentive to press for changes in the status quo. The Cook Islands and Niue Governments, although largely excluded from effective decision making by the Shipping Corporation management structure, are the beneficiaries of a service which seems quite satisfactory from their point of view; their only worry is that New Zealand might cut back its subsidies at some future date. In 1982, at the time of the Fletcher Report, the Cook Islands Government obtained quotes from several private sector shipping firms to demonstrate that a cheaper service could be provided if the New Zealand Government were prepared to take the necessary political decisions. Faced with the prospect that a cut in the subsidy would provoke confrontations with both the Cook Islands Government and the New Zealand unions, the New Zealand Government opted to accept the continuation of the subsidy. There seems no reason for that calculation to change in the near future; the subsidy brings real political returns in island goodwill and industrial peace, and leaves the New Zealand Government free to concentrate on other more important areas of shipping policy such as the Tasman and trans Pacific routes.

In addition to this straightforward political basis for continuing the status quo, other more detailed reasons have contributed to the lack of action to date on the Fletcher Report. An official committee in October 1982 prepared an options paper based upon the Report, and this was discussed at a Ministerial meeting of the three partner Governments in November 1982. The outcome of that meeting was a decision to stick with the status quo for the time being. Harbour works at Avatiu on Rarotonga were running seriously behind schedule, and a new ship of the type recommended by the consultants would have been unable to use the port until the works were completed, according to officials. In addition, the extent of the collapse in Cook Islands citrus and Niue passionfruit production was beginning to register, and Aitutaki banana output also looked shaky for a time in 1982-83. The Fletcher Report had used

optimistic official projections of Cook Islands and Niue agricultural export production in preparing figures on the expected southbound cargoes<sup>12</sup>, and those projections looked increasingly overstated. Thirdly, while the Cook Islands Government was happy with the prospect of having a Cook Islands flag vessel on the route, the Niue Government was opposed (even if the vessel were “island manned”, as distinct from “Cook Islands manned”).

In summary, the Joint Shipping Service was from the outset more a political than a commercial venture, and in the absence of compelling political reasons to change the basis of the service, the path of least resistance is to ratify the status quo. This involves the New Zealand Government in payment of a subsidy of \$4 million or more per year, which could be reduced only by attacking one or more of the vested interests involved in the trade. Most of the subsidy payments return directly to the New Zealand economy via crew incomes, and by far the greatest beneficiaries from the service are New Zealand exporters selling in Niue, the Cook Islands and French Polynesia.<sup>13</sup> The strong official commitment to provide a service to promote “economic development” in Niue and the Cook Islands involves political rather than economic calculations; total exports from these islands to New Zealand are valued at around \$5 million FOB, more or less equal to the subsidy required to run the shipping service on the present basis; and the Aitutaki banana trade, which dictates the need for a fortnightly service (and hence accounts for a fair proportion of the operating losses) generated in the early 1980s only \$684,000 of annual incomes to the 230 growers, plus some employment in packing and loading the crop.<sup>14</sup> The importance of the service to real living standards in the islands lies really in the carriage of imported consumption goods at rates which are competitive with alternative sources of supply; the subsidy thus benefits simultaneously the New Zealand suppliers of these goods, and the island consumers.

### 13.5 The Pacific Forum Line

As with the Joint Shipping Service, the Pacific Forum Line was more a political than an economic initiative, and its major achievement to date has been an improvement in the political climate surrounding shipping matters. The Line was, and is, an important symbol of New Zealand's regional commitment to the South Pacific; commercial and technical problems have therefore never been allowed to stand in the way of the political momentum.

Proposals for a regional shipping line arose in the early 1970s, at a time when the Pacific Islands Producers' Association (IPA) and later the South Pacific Bureau for Economic Cooperation (SPEC) were active in promoting the expansion of regional trade, and in opposing the rapid increases in freight rates at that time (particularly the rates charged by the Union Steamship Company)<sup>15</sup>. Proposals for a regional shipping council were overtaken by the preference of Island Governments at the first Forum meeting in 1971 for an independent regional shipping line, despite expert warnings that such a line might not be able to charge “economic” freight rates if it were to be commercially viable, especially if inappropriate vessels were used.

The New Zealand position during a long series of preliminary meetings and studies during 1973 and 1974 was one of strong rhetorical support for the regional shipping line proposal. New Zealand politicians and officials seem to have begun from the (unproven) assumption that a regional shipping line was the answer to the perceived problem of high freight rates and irregular service, and that only strong political commitment was needed to make the venture a

success.<sup>16</sup> Implicit in this position was a willingness to subsidise operating losses, and also a willingness to proceed even if expert recommendations on type of ships and schedules could not be met. (It was, in other words, more important to New Zealand to have a regional shipping service come into being, than to ensure that any such service was commercially viable).

A Ministry of Transport memorandum of 3 February 1976 set out the reasons for New Zealand's support of the proposal:<sup>17</sup>

- a viable regional shipping operation would encourage our already substantial trade with South Pacific countries;
- New Zealand's help in establishing such a line is a practical way of assisting the Islands' economies, and would be seen as a measure of our concern to promote economic integration on a regional basis;
- contribution of New Zealand tonnage would reduce possible problems of employment for New Zealand maritime unions.

The expectations of Forum member countries were also set out: stabilised freight rates, improved balance of payments positions, employment; and trade promotion by concessional rates. With Australia lukewarm at best, New Zealand support (both financially and with tonnage) was clearly crucial for the success of the project; and as time went by the political stakes were increasing especially after the 1976 “overstayers' affair” in New Zealand, which made it necessary for New Zealand to mend fences in the region by a full commitment to “regional development” projects such as the Forum Line and PIIDS.

From the outset, Australia took a more hard headed and sceptical position, preferring the idea of a regional shipping council to regulate private shipping operators. At the 1975 Forum meeting Australia made clear that its participation in the PFL would be conditional upon the venture being commercially viable; and when the Pacific Forum Line Ltd was established in 1977 Australia was not among the original eight members.

During 1976 the final arrangements for setting up the PFL were pushed through under steady political pressure, and against a background of self interested manoeuvring by the intending participants. The outcome was the establishment in 1977 78 of a service on the trunk routes in the South Pacific, making steady operating losses to which New Zealand has contributed by financial support. The New Zealand subsidy amounted to \$3.8 million in 1983/84 (less than the subsidy on the Cook Islands Niue Joint Service). Hope continues to be expressed that the Line will eventually break even. The relevance of the PFL to the present study is limited to the 1982 establishment of a feeder service to Tuvalu and Kiribati, funded by New Zealand and Australia. This has substantially improved shipping to those countries, especially Tuvalu, and has assisted the recent very rapid expansion of New Zealand exports to Tuvalu.

### 13.6 Shipping Policy

In the context of the five mini economies covered by the present study, the nature of the shipping problem has changed very little in the last three decades, but the role of the New Zealand Government in coping with that problem has increased. Since the 1920s, New Zealand

Government steamers have played a key role in the provision of shipping to the Cook Islands and Niue; the 1960s and 1970s brought a strengthening of this service and an increase in the levels of subsidy. The provision of shipping services for Tokelau has since the late 1940s depended upon vessels chartered and paid for by the Administration; repeated proposals that a ship should be bought for this route have come to nothing, but the present charter arrangement appears to provide an adequate service. In the case of Tuvalu and Kiribati, the 1982 introduction of a Pacific Forum Line feeder service from Fiji has brought New Zealand directly into the provision of shipping in that area of the Pacific, a role complementary to expanding New Zealand trade interests.

At the heart of the shipping issue in our five case studies lies the reality of the MIRAB economies. Large scale commodity imports, and stagnant or falling commodity exports, imply heavy imbalance in cargoes northbound and southbound. The lack of southbound cargoes renders shipping commercially unattractive, given the great distances involved, and renders subsidisation likely over the long term if freight rates are to be held below politically sensitive thresholds. There are at present no grounds for expecting southbound cargoes to increase significantly, despite the recurrent rhetorical references to “economic development” in the islands. The 1979 cessation of phosphate shipments from Kiribati removed the only really profitable export commodity from the scene and significantly reduced the attractiveness of shipping between New Zealand and Kiribati.

While the growing volumes on the trunk routes served by PFL give some grounds for hoping that the Line may at some stage become self supporting it is clear that the provision of regular shipping services to the five mini states will have to remain subsidised for the foreseeable future, with the degree of subsidy a matter for political negotiation between the New Zealand Government and the beneficiaries – the island communities, the New Zealand maritime unions, and New Zealand exporters. The issues in islands shipping appear now to be well understood by officials in Wellington, and the status quo seems unlikely to change much unless the New Zealand Parliament balks at the cost. Considering the political and trade benefits accruing to New Zealand from its shipping subsidies, that seems unlikely to happen.

### 13.7 The Pacific Islands Industrial Development Scheme

The Pacific Islands Industrial Development Scheme (PIIDS), begun in 1976, grew out of a 1974 initiative by the Third Labour Government, the Pacific Islands Employment Opportunities Scheme. Both proposals owed more to political imperatives than to economic analysis; and insofar as economic analysis was forthcoming, it suggested that industrialisation in the Pacific Islands was likely to be limited by lack of comparative advantage, diseconomies of small scale, distance from export markets, and problems of access to the New Zealand market in the face of resistance from manufacturers and unions. The subsequent SPARTECA agreement removed the last of these problems, but left the first three untouched. The origins and evolution of the PIIDS scheme have been studied in detail by Stockwell (1984), and much of what follows is based upon his work, supplemented by our own quick survey of the relevant files in the Ministry of Trade and Industry.

The economic rationale, such as it was, offered for promoting manufacturing was becoming decreasingly competitive in New Zealand because of local full employment and rising real wages, and that rather than attracting Pacific migrants into New Zealand to fill unskilled

labouring jobs, it might be allocatively more efficient to move the factories to the workers in the Islands.<sup>18</sup> This chimed well with the developmentalist philosophy which was very influential at that time both among Island Governments and New Zealand officials (especially Foreign Affairs). Rapid and successful “economic development” in the Islands would, it was hoped, mop up their labour force and thus dampen the incentives to migrate to New Zealand.<sup>19</sup>

It was the issue of migration that dominated the politics of PIIDS and its predecessor. Both the Labour Government in 1974, and the National Government in 1976, mounted police campaigns against illegal “overstayers” from some of the Pacific Islands – mainly Western Samoa, Tonga and Fiji. Apart from possibly a few Tuvaluans posing as “Samoans”, the overstayers issue had no direct impact on the five small states covered in the present study. The New Zealand Government's response, however – especially the attempt to promote employment opportunities in the Islands in order to halt or reverse the flow of Polynesian migrants into New Zealand – did flow over to our five, most notably in the context of the 1975 aid mission to the Cook Islands, discussed in Chapter 5.

In promoting industrialisation in the islands, the New Zealand Government could of course point to the desire of the island governments, expressed at the 1972 Pacific Forum meeting, to move into manufactured exports with access to the New Zealand and Australian markets. The PIIDS scheme, as it emerged, thus fitted well with the emerging political consensus among island elites in favour of industrial promotion. The main initial obstacle to the scheme was again essentially political – the objection of New Zealand unions and manufacturers to any weakening of protectionism. This objection, however, weakened steadily during the 1970s, partly because of a growing realisation that island industrialisation was unlikely to occur on such a scale as to offer much threat to established New Zealand producers.

The political returns from the PIIDS scheme, thus, were immediate and very real. The scheme was and remained a concrete demonstration of New Zealand's commitment to regional development and cooperation; it served to deflect Islands criticism of New Zealand policy on overstayers and on the general question of Polynesian immigration; and it meshed well with the domestic concern of some New Zealand Government departments to open up New Zealand manufacturers to more outside competition. The scheme utilised measures already familiar from New Zealand's own regional development policies – tax write offs, suspensory loans, and administrative support. Experience with the limited impact of such incentives on the locational structure of New Zealand manufacturing probably contributed to the modest expectations held by many officials, especially in the Department of Trade and Industry.

The Pacific Islands Industrial Development Committee, headed by Jack Luxton, MP, was set up in March 1976. In an early report to that committee, officials from the three departments involved (Treasury, Foreign Affairs and Trade and Industry) drew attention to the factors likely to limit industrialisation in the islands setting. As Stockwell summarises the argument:<sup>20</sup>

The fears of unions and manufacturers were to some extent, it was noted, based on the substantial difference between Island and New Zealand wage rates. This was counterbalanced, to a significant degree, by low productivity in the Islands and other disabilities under which manufacturers had to operate, in particular freight costs. These disadvantages were illustrated by the reluctance of

New Zealand manufacturers to start ventures in those Islands which already enjoyed unimpeded access to the New Zealand market.

The last point goes straight to the heart of the matter but was generally ignored in subsequent public discussion of the PIIDS scheme. For some Pacific Island economies such as Tonga and Fiji, it was possible to argue that free access to the New Zealand market would be a necessary, and perhaps sufficient, condition for rapid industrial expansion. (Hence the subsequent SPARTECA negotiations). For the Cook Islands, Niue and Tokelau, however, no such case could be made these economies already enjoyed free access to the New Zealand market.

The absence of any mass migration of New Zealand manufacturers to those small island economies could not, therefore, be accounted for by market access barriers in New Zealand. The key problem was rather the lack of relative competitiveness of manufacturers in the islands, as compared with manufacturers in New Zealand. Since the integrated market New Zealand-Cook Islands-Niue-Tokelau was all enclosed within the prevailing New Zealand protection barriers, it was immediately obvious to the casual observer that low wage rates in the islands were more than offset by the disadvantages of distance, low productivity and small scale. In order to persuade New Zealand manufacturers to migrate offshore, therefore, either island wage rates would have to be further lowered, or profitability would have to be enhanced by measures such as increased transport subsidies, assistance in raising productivity, price supports, tax write offs, or investment subsidies.

The PIIDS scheme, as it emerged, rested crucially upon investment subsidies and assistance with productivity. Approved ventures locating in the islands qualified for suspensory loans up to 30% of the cost of their fixed investments, and up to 50% of the costs of staff training. The scheme did not include any provision for ongoing subsidies to maintain the profitability of ventures.<sup>21</sup> It thus rested on the assumption that commercial viability could be attained simply by reducing the setting up costs (and hence the ongoing level of overheads). No statistical work on the island economies was done to establish the realism of this assumption; instead, the approach adopted was one of “suck it and see” i.e. put the setting up incentives into place, and see whether private enterprise responded. The scale of the response has thus been the only measure of the realism of the scheme's design, from an economic point of view.

In interpreting the evidence of success or failure of PIIDS, there are several difficulties in interpreting the record. The first is that the PIIDS incentives to locate in the islands were very similar in kind and degree to the regional development incentives already available to manufacturers within New Zealand itself, so that in order to attract projects island locations had to be preferable to areas in New Zealand where regional development incentives already applied. The second, related problem was that New Zealand export incentives could be claimed on goods produced in New Zealand and exported to island markets, which substantially undercut the attractiveness of the PIIDS incentives especially since the export incentives were ongoing subsidies to manufacturers' profitability, whereas the PIIDS incentives were restricted to setting up costs.

A third problem, and the one which poses most direct difficulties to the observer, is that Trade and Industry officials consistently attribute to PIIDS the existence of all ventures, and all employment, in which PIIDS funds have been involved. The statistics issued by the PIIDS unit

for the period from 1976 to the end of 1983<sup>22</sup> claim 51 operating ventures<sup>23</sup>, 800 jobs, \$1.3 million of funds paid out or approved, and 100 applications approved in total. Of these figures, the most reliable appears to be that for total expenditure on loans and grants under the scheme to date. (The internal costs of administering the scheme within the Department of Trade and Industry have been considerably in excess of the \$1.3 million of funds disbursed possibly double).

The figures for number of operating ventures, and number of jobs created, are open to serious question, as Stockwell's work has shown. Trade and Industry officials appear to rely upon the original estimates of jobs to be created, made at the time of approval for assistance under PIIDS. Such estimates, made by proponents of ventures seeking aid, naturally tend to be biased upwards and are seldom realised in practice. Data in Stockwell<sup>24</sup> indicates that the official figures for "jobs directly created" are overstated by 112% for the Cook Islands and about 90% for Niue. Overall it seems unlikely that ventures assisted under PIIDS have created more than half the direct jobs claimed; and the net contribution of PIIDS itself would be considerably lower than this. Official data on numbers of ventures approved and operating are also prepared and presented on a basis which biases the results upwards.

Table 13.2 brings out both the very limited total impact of PIIDS during the seven years 1977-1983, and the small share of this from the point of view of our five small economies: 20% of total ventures, and 16% of total funding. Of the five, only Niue and the Cook Islands obtained operating ventures under PIIDS; 1978 discussions on a possible knitwear venture in Tokelau were quickly dropped, and the scheme has not yet affected Tuvalu or Kiribati. It is important, therefore, not to overstate either the significance of PIIDS in the small state setting, or the priority assigned to the very small economies by the PIIDS scheme.

Also in evaluating the impact of the PIIDS programme, it must be borne in mind that there is no clear evidence available to demonstrate that any of these ventures would have failed to emerge in the absence of the PIIDS incentives – in other words, it is impossible to assess the true net impact of the scheme. Information on individual cases strongly suggests that in many cases, entrepreneurs have treated PIIDS as a source of concessionary finance after they have already decided to embark upon a venture. Anecdotal evidence of Trade and Industry officials acting as genuine "marriage brokers" and thus setting up activities which otherwise would not have emerged can be produced in a few cases, but to date there has been no systematic case by case assessment, to our knowledge.<sup>25</sup>

The PIIDS programme has attracted a number of recurring criticisms relating to level of funding, requirement for New Zealand equity participation, slow procedures, poor management, lack of annual reporting, disincentives to labour intensity, and lack of integration with other aspects of the New Zealand aid programme.<sup>26</sup> These all relate, in essence, to points of detail which can readily be coped with by altering the detail of the policy. None of them relate to the premises on which the programme was ostensibly based – namely that industrial promotion in the Pacific Island economies is worth doing. On the basis of our analysis of the economic characteristics of MIRAB systems (Chapter 5) we would be inclined



TABLE 13.2

PIIDS DATA FOR OUR FIVE SMALL ECONOMIES

| Economy      | Number of PIIDS ventures |                    | PIIDS funding paid out to Dec 1983 \$ | Number of jobs    |          |
|--------------|--------------------------|--------------------|---------------------------------------|-------------------|----------|
|              | Operating Dec 1983       | Failed by Dec 1983 |                                       | Official estimate | Actual * |
| Cook Islands | 7                        | 2                  | 173,448                               | 142               | 67       |
| Niue         | 3                        | 3                  | 38,259                                | 49                | 26       |
| Tokelau      | -                        | -                  | -                                     | -                 | -        |
| Tuvalu       | -                        | -                  | -                                     | -                 | -        |
| Kiribati     | -                        | -                  | -                                     | -                 | -        |
| PIIDS TOTAL  | 51                       | 13                 | 1,308,000<br>at most                  | 800               | 546      |

Sources: Department of Trade and Industry PIIDS Unit statistical releases; Stockwell (1984) Appendices E and F.

\* On basis of Stockwell's detailed analysis of actual employment in several specific ventures. His adjusted total for PIIDS is upper bound, since ventures which he did not analyse in detail were included at their "official" level of employment creation.

to suggest that the PIIDS scheme (more by accident than by design) fits in rather well, so long as excessive expectations are not held nor aroused. The scheme provides concrete help on a small scale to marginal ventures set up to colonise the small niches of profitability that emerge from time to time in such economies. To this extent it facilitates the low level diversification of the village economy which, we have suggested, is a legitimate goal of policy. The scheme provides also a most useful barometer of the existence or otherwise of such profitable investment opportunities in the islands. The message from the PIIDS record in our five small economies is quite straightforward on this point: profitable industrial investment opportunities are few and far between, and very limited in scope. They are far below the "threshold" of project size for the mainstream aid programmes of most donors, and they are almost without exception marginal to the local economy<sup>27</sup>, with little influence either for good or ill. There is no harm in supporting new ventures in these niches, and there are major political gains from being seen to take a constructive interest in economic development at the micro level. Indeed, there can have been fewer more cost effective public relations exercises in New Zealand diplomatic history; at a fraction of the cost of New Zealand's commitment to, say, the Pacific Forum Line, goodwill has been built up in a wide range of Pacific islands.

Surveying the first seven years of the PIIDS scheme, several overall comments seem appropriate, in qualification of the earlier observation that the scheme has on the whole been a positive exercise. It is important to bear in mind that the original motivation, and continuing rationale, for the programme are New Zealand's political goals rather than any clearly defined Islands goals, and it would be quite incorrect to portray the scheme's design as a passive New Zealand response to Island Government's wishes. Similar comments apply to a large number of

New Zealand aid projects of one sort or another, and it is hard not to sympathise with influential Islands leaders who feel “patronised” by New Zealand officials' practice of defending Wellington's development priorities by reference to “the wishes of the Islands people”. The focus on manufacturing, the use of investment subsidies rather than profit subsidies, the insistence on New Zealand equity content, the absence of any systematic reporting or evaluation framework, the recent loss of momentum and underspending of the annual budget, the failure to translate relevant documents into Island languages, and the lack of any properly argued rationale for the programme, are all criticisms which belong at Wellington's door, not the Islands'. It is, in addition, not clear that the Department of Trade and Industry had built up enough specialised expertise in the South Pacific to enable officials of the department to respond creatively to the specific problems of the region; as already pointed out, PIIDS in essence transferred industrial assistance mechanisms originally devised to meet New Zealand internal problems, to the very different setting of the small island economies.

Island Governments certainly welcome the scheme and are pleased to see projects advance under it. It is generally true that individual projects are obliged to go through the motions of being considered and approved by Island Governments. It is also true that a number of PIIDS projects have resulted directly from initiatives taken by Island Governments. None of this alters at all the basic fact, clearly perceived by all participants, that in the final analysis the initiative, the finance and the power reside in Wellington, and will continue to do so. Evaluation of the operation of the scheme, thus, is a task for Wellington, and cannot be delegated to the Island Governments as some officials suggest. Those Governments may indeed have useful input to offer, but are not in a position to undertake a full and frank evaluation of a programme which they do not control.

### 13.8 Sparteca

The South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) was opened for signature at the Eleventh South Pacific Forum meeting at Tarawa in July 1980, and after some hiccups (particularly in respect of Fiji's push for access to the New Zealand market for orange juice) attracted signature and ratification from the countries participating in the Forum. The agreement arose out of ten years of debate and negotiation over access for Pacific Island economies to the markets of New Zealand and Australia. Island Governments, observing their large trade deficits with the two dominant economies of the region, had been inclined to blame those deficits on quantitative restrictions and tariffs in the New Zealand and Australian markets, and hence to argue that the unilateral removal of such restrictions on Islands trade by the two large countries would be a necessary, and possibly a sufficient, condition for the reduction of this trade “imbalance”. The debates and negotiations occupied a vast amount of diplomatic time and energy during the 1970's and culminated in the agreement by New Zealand and Australia in 1979-1980 to open their markets, with very few restrictions on specific commodities.

The most important contribution of SPARTECA to the policy analysis of South Pacific trade and development problems has been to remove a red herring which had obsessed many politicians during the preceding decade - namely the notion that restricted market access was the key explanation for trade imbalances in the region. Having disposed of this, the Forum countries are now left in a position to confront the more fundamental causes of their trade deficits. We have already indicated in the case of our five small economies that the trade

balance is merely a manifestation of the underlying balance of payments position, with import demand providing the balancing item to offset large current account invisible “earnings”. In those economies, we have suggested, it was and is erroneous to view the trade deficit with New Zealand as a “problem”. For the larger economies of the region particularly Fiji the familiar mercantilist notions of the undesirability of trade deficits carry more conviction; those economies, however, lie outside the scope of the present study.

The record to date on the impact of the SPARTECA agreement on regional trade is summarised in Tables 13.3 and 13.4. The first shows New Zealand's trade with the Forum and Non Forum Pacific economies since 1978-1979; SPARTECA came into force during the 1980-1981 June year. The high inflation of the period renders the absolute numbers of very limited use as a guide to trends; but percentages are indicative. From Table 13.3 it can be seen that in terms of current dollars, New Zealand imports from Forum economies rose substantially, with Fiji and Nauru the main “beneficiaries”. Since the greater part of Nauru's exports to New Zealand consists of phosphates, it seems fair to suggest, as does Stockwell in his recent study of SPARTECA<sup>28</sup>, that “Fiji has been the major beneficiary of SPARTECA, followed by Papua New Guinea, Tonga, and the Solomon Islands”.

The standard table used in the analysis of the impact of SPARTECA by the Department of Trade and Industry (Table 13.4) shows that of the \$9 million increase in New Zealand imports from Forum countries 1980-1982, nearly \$4 million was increased imports from Fiji, and a similar amount was expansion of imports of goods whose entry to New Zealand had been restricted prior to SPARTECA. Considering the double digit inflation which prevailed during those years, the 10% average annual growth of nominal import values probably did not correspond to any significant increase in the volume of goods sold to New Zealand; but the doubling in two years of the value of imports formerly restricted certainly does imply strong volume growth; it therefore seems clear that SPARTECA has performed a trade creating role, which is certainly good news. (The apparent fall in calendar 1983 imports is due to a dramatic fall of \$18.5 million in reported imports of Fijian sugar, according to the data supplied by Trade and Industry; excluding this, the total imports from Forum countries would show a modest increase in nominal value for 1982 to 1983 in Table 13.3.)

On the other hand, it is important not to overstate the impact of SPARTECA. As with PIIDS, this is a scheme which relaxes one of the perceived constraints on economic growth in the region, and therefore can be expected to open up (especially in the first few years) a limited number of profitable niches for new investment and production for export to New Zealand and Australia. There are real gains to several Island economies, but those gains are in no case sufficient to make significant inroads into the perceived problem from which Island politicians began namely the trade deficits with the large economies.

As Table 13.3 indicates, in 1978-79 (before SPARTECA) New Zealand's imports from Forum countries stood at 44% of New Zealand exports to those countries an “imbalance” of more or less two to one in “favour” of New Zealand, to use the unfortunate mercantilist expression which has been common in the debate. In 1982-83 (after SPARTECA) New Zealand's imports from Forum countries were 33% of exports to those countries an “imbalance” of three to one. The notion that SPARTECA would in some way lead to a closing of the recorded “trade gap” was thus revealed as a chimera, which should cause no surprise considering the economic forces at work in the regional economy (especially the strength of aid flows into the Forum

economies, which naturally generate as their counterpart a flow of increased import purchases by those economies). The impact of SPARTECA, thus, needs to be recognised as limited mostly to a once for all increase in Island exports to New Zealand, giving benefit mainly to manufacturers in Fiji. The Agreement on its own is unlikely to produce significant dynamic effects in the Forum economies, though it may open the way for Government policies in the Islands to promote growth of new lines of economic activity. The belief that SPARTECA would be sufficient to generate growth in the Islands was and is without foundation.

It remains, however, to focus on the question of what SPARTECA may have implied for the five small economies which are the subject of our study. In the case of three of them Niue, Tokelau and the Cook Islands access to the New Zealand market had always been unrestricted (except for informal obstacles, such as those posed by the New Zealand clothing unions to apparel imports from the Cook Islands). The SPARTECA agreement thus added nothing to the market position already enjoyed by those economies, but had a clear negative impact, since other Pacific economies which had not traditionally been able to compete in the New Zealand market with the Cook Islands or Niue now had unrestricted access. In the early years of SPARTECA New Zealand maintained protection for certain specified products of those two economies notably passionfruit pulp and citrus juice but the decline of export production of the protected lines in both Niue and the Cook Islands led to the dropping of several such items from New Zealand's "negative list", to the point where virtually the only remaining protected corner of the New Zealand market is that for some Cook Islands airfreighted vegetables.

SPARTECA thus offered no benefits, and threatened some losses, for the small economies which had been traditionally associated with New Zealand; but it is of course important not to overstate the negative impact of SPARTECA as such, since the declining export performance of the Cook Islands and Niue was already resulting from the dynamics of the mirab economy well before the advent of SPARTECA.

Turning to Tuvalu and Kiribati, Table 13.3 indicates that neither shows any sign of building up a dynamic export trade to New Zealand. New Zealand exports to both economies have risen sharply (especially to Tuvalu); but this trend is unrelated to SPARTECA and may be partly or largely a statistical illusion, since an unknown volume of New Zealand goods destined for ultimate sale in Tuvalu and Kiribati used to be exported in the first instance to Fiji and re-exported from there; whereas since the advent of the PFL feeder service, it is more normal to state the final destination at time of export from New Zealand. It appears, however, that the feeder service has also generated an increase in the total volume of New Zealand goods being imported to those two economies, despite difficulties of measurement.<sup>29</sup>

**TABLE 13.3**  
**NEW ZEALAND TRADE WITH THE PACIFIC ISLAND COUNTRIES**  
**JUNE YEARS**

Exports NZ\$fob; Imports  
NZ\$vfd  
FORUM ISLAND COUNTRIES

|                  | 1978-1979  |            | 1979-1980  |            | 1980-81    |            | 1981-1982  |            | 1982-1983   |            |
|------------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|------------|
|                  | (Exports)  | (Imports)  | (Exports)  | (Imports)  | (Exports)  | (Imports)  | (Exports)  | (Imports)  | (Exports)   | (Imports)  |
| Cook Islands     | 11,245,543 | 3,662,610  | 13,049,969 | 4,510,118  | 11,618,446 | 4,275,737  | 12,757,278 | 4,643,923  | 17,822,030  | 5,093,136  |
| Fiji             | 49,027,737 | 11,546,880 | 64,144,422 | 26,948,998 | 76,632,688 | 22,008,587 | 82,181,518 | 22,539,471 | 103,862,999 | 29,687,022 |
| Kiribati         | 1,322,286  | 1,517,010  | 809,064    | 3,511,457  | 1,003,996  | 7,369      | 1,599,582  | 27,791     | 3,197,626   | 6,990      |
| Nauru            | 962,079    | 20,876,793 | 1,137,254  | 18,607,958 | 1,475,825  | 18,345,880 | 1,046,807  | 30,355,052 | 899,521     | 35,083,259 |
| Niue             | 1,784,740  | 300,436    | 2,244,190  | 359,594    | 2,660,580  | 299,359    | 2,616,554  | 518,873    | 2,707,610   | 546,140    |
| Papua New Guinea | 21,839,309 | 5,500,891  | 34,189,071 | 7,049,246  | 54,427,697 | 4,163,969  | 64,263,344 | 6,442,118  | 79,285,661  | 7,229,667  |
| Solomon Islands  | 2,703,486  | 226,794    | 4,515,143  | 594,649    | 6,501,193  | 1,064,613  | 5,767,043  | 1,561,003  | 7,111,299   | 1,023,948  |
| Tonga            | 8,305,249  | 1,652,620  | 9,762,459  | 2,413,043  | 12,019,609 | 2,821,358  | 16,010,011 | 2,711,502  | 18,113,529  | 2,849,343  |
| Tuvalu           | 62,439     | 1,284      | 99,493     | 2,443      | 109,236    | 5,730      | 101,985    | 16,132     | 417,7       | 953,339    |
| Western Samoa    | 15,037,396 | 5,008,889  | 17,356,404 | 4,185,256  | 18,486,292 | 4,987,002  | 19,059,815 | 7,084,909  | 17,091,796  | 4,151,157  |
| Vanuatu          | 2,921,692  | 33,850     | 3,945,316  | 23,210     | 3,551,267  | 3,135      | 4,208,929  | 8,855      | 6,150,274   | 3,721      |
| TOTAL            |            |            |            |            |            |            |            |            |             |            |

|               |             |            |             |            |             |            |             |            |             |            |
|---------------|-------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|------------|
| FORUM ISLANDS | 115,211,956 | 50,328,057 | 151,252,314 | 68,205,972 | 188,486,829 | 57,982,739 | 209,612,866 | 75,909,629 | 256,660,140 | 85,677,722 |
|---------------|-------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|------------|

NON FORUM ISLAND COUNTRIES

|                                  | 1978-1979  |           | 1979-1980  |           | 1980-81    |           | 1981-1982  |           | 1982-1983  |           |
|----------------------------------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|
|                                  | (Exports)  | (Imports) | (Exports)  | (Imports) | (Exports)  | (Imports) | (Exports)  | (Imports) | (Exports)  | (Imports) |
| American Samoa                   | 11,343,478 | 6,706     | 12,877,125 | 719       | 19,545,203 | 26,227    | 9,242,550  | 116,738   | 10,643,000 | 33,905    |
| French Polynesia                 | 14,353,565 | 61,245    | 21,615,939 | 39,510    | 27,380,905 | 78,419    | 30,222,127 | 279,768   | 37,849,000 | 266,186   |
| Guam                             | 927,947    | 10        | 1,027,633  |           | 1,654,793  |           | 1,883,855  | 14        | 2,598,000  |           |
| New Caledonia                    | 10,346,341 | 26,989    | 14,024,280 | 2,970     | 17,320,340 | 39,731    | 19,686,082 | 373,936   | 19,539,000 | 142,882   |
| Norfolk Island                   | 1,522,996  | 3,447     | 2,141,442  | 7,789     | 2,807,657  | 14,177    | 4,890,713  | 31,036    | 4,175,000  | 5,625     |
| Pacific Island Trust Territories | 4,615      |           | 1,338,534  | 8,075     | 1,290,065  | 3,680     | 265,774    | 40        | 649,000    |           |
| Pitcairn                         | 39,416     | 100,808   | 84,695     | 3,275     | 59,772     | 4         | 474,000    | 382       |            |           |
| Tokelau Island                   | 2,388      | 12,656    | 18,705     | 92,569    | 18,465     | 37,963    | 51,360     | 67,138    | 28,000     | 2,987     |
| Wallis and Futuna                | 105,053    |           | 125,184    |           | 228,088    |           | 179,370    |           | 335,000    |           |
| TOTAL                            |            |           |            |           |            |           |            |           |            |           |

|                       |             |            |             |            |             |            |             |            |             |            |
|-----------------------|-------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|------------|
| NON FORUM ISLANDS     | 38,745,799  | 111,053    | 53,269,650  | 151,632    | 70,330,211  | 203,472    | 66,431,603  | 868,674    | 76,290,000  | 451,967    |
| TOTAL PACIFIC ISLANDS | 153,957,755 | 50,439,110 | 204,521,964 | 68,357,604 | 258,817,040 | 58,186,211 | 276,044,469 | 76,778,303 | 332,950,140 | 86,129,689 |

TABLE 13.4

SPARTECA : TRADE EXPANSIONNew Zealand Imports from Forum Island Countries  
Calendar Year

|                                                                                                  | 1980              | 1981              | 1982              | 1983              |
|--------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Totals                                                                                           | NZ\$CDV           | NZ\$CDV           | NZ\$CDV           | NZ\$CDV           |
| Cook Islands                                                                                     | 4,465,869         | 4,717,357         | 4,917,881         | 4,507,461         |
| Niue (Imports from the Cook Islands<br>and Niue are normally free of<br>duty and exempt licence) | 290,909           | 471,466           | 502,834           | 588,524           |
| Western Samoa (Imports from<br>Western Samoa are normally<br>exempt licence)                     | 4,601,101         | 5,111,776         | 6,326,756         | 6,435,183         |
| Fiji                                                                                             | 29,131,680        | 23,534,865        | 32,761,829        | 15,485,602        |
| Kiribati                                                                                         | 1,967             | 27,054            | 10,658            | 4,636             |
| Papua New Guinea                                                                                 | 4,879,438         | 5,152,329         | 6,761,337         | 9,237,655         |
| Solomon Islands                                                                                  | 759,541           | 1,374,233         | 1,647,243         | 902,286           |
| Tonga                                                                                            | 2,559,821         | 3,307,472         | 2,877,369         | 3,673,689         |
| Tuvalu                                                                                           | 4,699             | 15,123            | 6,485             | 5,315             |
| Vanuatu                                                                                          | 678               | 9,723             | 2,703             | 3,175             |
| <b>TOTAL</b>                                                                                     | <b>46,695,753</b> | <b>43,725,398</b> | <b>55,815,095</b> | <b>40,843,526</b> |

Trade Expansion Under SPARTECA:

|                                           |            |            |            |
|-------------------------------------------|------------|------------|------------|
| - Free entry prior to SPARTECA -<br>total | 37,786,886 | 32,475,863 | 41,405,796 |
| - Restricted prior to SPARTECA            | 3,294,995  | 5,214,683  | 8,708,265* |
|                                           |            |            | -7,212,468 |
| - Schedule 3                              | 5,613,822  | 6,016,675  | 5,701,034  |

\*The figure includes items of non traditional exports from W. Samoa, e.g., (an aircraft worth \$1.5m). A more realistic figure should be approximately 7.2m, an increase of 38 percent from 1981.

Source: Dept. of Trade and Industry, Wellington, New Zealand

## NOTES TO CHAPTER THIRTEEN

- <sup>1</sup> For an influential study of the process, I.M.D. Little, M.F. Scott and T. Scitovsky, Industry and Trade in Some Developing Countries, 1970
- <sup>2</sup> D. Rose, Industrial Development and Trade Relations in the South Pacific, 1978, p.4.
- <sup>3</sup> Belshaw and Stace (1955): 66-73.
- <sup>4</sup> Tuvalu Draft Third Development Plan 1984-1987, p.21-4
- <sup>5</sup> Ibid.
- <sup>6</sup> The above summary is based upon a Ministry of Foreign Affairs briefing document for the 10 August 1978 meeting of the Minister of Foreign Affairs with the Cook Island Premier, Dr Davis
- <sup>7</sup> "Ministry of Foreign Affairs Assistance to Shipping 1983/84", briefing document dated 17 May 1984.
- <sup>8</sup> MFA briefing document for meeting with Cook Islands Premier, 8 August 1978, Annex.
- <sup>9</sup> Fletcher Consulting Services (1982) Figures 5.4 and 5.6 pp. 59 & 65.
- <sup>10</sup> Fletcher Consulting Services (1982), The Future of the New Zealand-Cook Islands-Niue Joint Shipping Service, 1982, p3.
- <sup>11</sup> Fletcher Consulting Services (1982): 11 and 167.
- <sup>12</sup> Fletcher Consulting Services (1982), sections J5 and J 6, pp 74-88.
- <sup>13</sup> Fletcher Consulting Services (1982) Table 5.7 p.71 showed the value of New Zealand exports to the Cook Islands and Niue as \$14.3 million in 1981, while exports to Tahiti were \$27.4 million, part of which was carried by the JSS.
- <sup>14</sup> Fletcher Consulting Services (1982): 133.
- <sup>15</sup> Pacific Islands Monthly March 1971, p.96.
- <sup>16</sup> Papers in MFA (104) 301/2/13 and 301/14/13.
- <sup>17</sup> MFA 104/301/2/13 Part 4.
- <sup>18</sup> This line of argument originated with Treasury in 1974; see Stockwell (1984): 22 23. Then and later, Treasury's main interest was in promoting industrial restructuring within New Zealand by eliminating parts of the established structure of industrial protection. They do not appear to have undertaken any systematic study of the prospects for profitable industrialisation under Island conditions.
- <sup>19</sup> A November 1976 memorandum for Cabinet from the Minister of Trade and Industry set out a list of benefits to be derived from PIIDS by the Islands and by New Zealand. The Islands list included "the extension of employment opportunities and the raising of per capita incomes in order to provide the necessary encouragement for the working population to be satisfied to remain in the Islands.."; and the benefits for New Zealand included "the easing of pressure created by the widespread migration of Pacific Islanders to New Zealand".
- <sup>20</sup> I. Stockwell, The Pacific Islands Industrial Development Scheme 1984, p.41.
- <sup>21</sup> The proposal from the Luxton Committee to Cabinet in 1976 noted that "an essential feature of the scheme is the provision of meaningful incentives to counterbalance existing disincentives which have inhibited the development of manufacturing enterprises in the Island countries. They will be designed to provide initial encouragement for manufacturers to establish ventures, but not continuing subsidies. "The second sentence either contradicts the first, or implies that the existing disincentives to manufacturing were seen to be merely problems of establishment of ventures, rather than permanent problems of comparative or absolute competitive disadvantage.
- <sup>22</sup> Department of Trade and Industry, PIIDS statistical releases, file 112/2/3/4, reproduced as Appendix E of Stockwell (1984)
- <sup>23</sup> Or 44, depending which section of the statistics is used. Stockwell (1984):102 uses the 44 figure.
- <sup>24</sup> Stockwell (1984) : 231
- <sup>25</sup> Stockwell (1984):102 footnote 76 suggests that "to the majority of the ventures it IIDS) would have been crucial', but recognises that no detailed study to establish this has yet been conducted.
- <sup>26</sup> These criticisms are canvassed by Stockwell (1984):123-32; he concludes with the suggestion that the present study might pursue the analysis of PIIDS further.
- <sup>27</sup> In Niue this comment must be qualified by the recognition that the only significant industrial activity in the island has been PIIDS financed, so that PIIDS looms large in relation to the manufacturing sector.
- <sup>28</sup> I. Stockwell, The Move Towards Regional Integration in the South Pacific, (1983): 54

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The problems of accurately identifying New Zealand exports to Tuvalu were discussed in detail by Ian Stockwell, the NZ Trade Commissioner in Suva, in his 1981 report on Tuvalu. He compared the New Zealand trade figures with the Tuvaluan data prepared by UNDAT, and showed that according to UNDAT, New Zealand goods imported to Tuvalu were worth \$179,000 in 1978 1979, compared with the recorded NZ exports to Tuvalu of \$62,000 (cf Table 13.3).



## CHAPTER FOURTEEN

### FISHERIES

#### 14.1 Introduction

In recent years a good deal of interest has been generated by the apparent scope for fisheries development in Pacific Island countries, particularly in the wake of the 1976 Law of the Sea Treaty which embodied the right of states to establish 200 mile Exclusive Economic Zones. Within these zones, it was intended that a coastal state "shall determine its capacity to harvest the living resources of their EEZ' and, to the extent that they are unable to do so themselves, "shall .....give other states access to the surplus of the allowable catch"<sup>1</sup>.

Table 14.1 sets out the most recent available FAO data on the size of the total fish catch in Fishing Zones 71 and 77 (Western Central Pacific and Eastern Central Pacific). These zones, unfortunately, extend over a wider area than merely the South Pacific island countries, (see Figure 14.1) and the FAO does not produce figures for total catches within the EEZ's of individual countries. Consequently, it is not possible to say with any certainty what the size of the catch within the area covered by the South Pacific Commission (SPC) actually is.

It is, however, evident from Table 14.1 that recorded catches by island countries in the SPC area are miniscule relative to the total catch for the FAO fishing zones in which they are situated, and that despite a 37% increase in reported catches by SPC countries over the seven years 1975 -1982, there has been no upward trend in the island countries' share of the Central Pacific total catch, which remains around 1.2-1.5%.

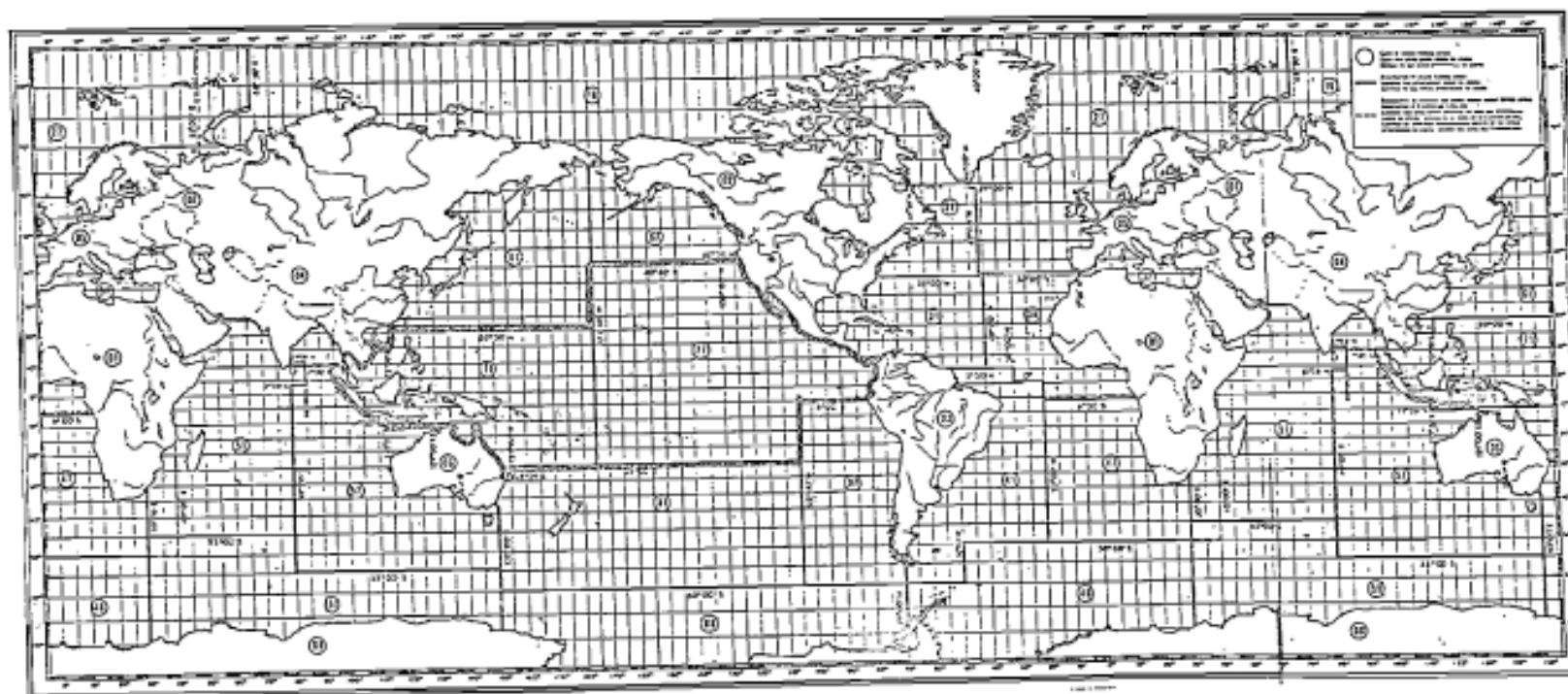
The two island countries which have exhibited most rapid expansion of their fish catches during the past decade are Fiji and the Solomon Islands and the apparent success of the latter is of particular interest for other small island states. Of the five small states covered by the present study, only Kiribati figures as a significant fishing nation, with around one fifth of the SPC catch.

Fisheries development in the small island states involves decisions at two levels. At the small-scale level of supplying the local market from inshore fisheries there arise issues of import substitution and the organisation or promotion of locally-oriented commercial fishing ventures. At the large-scale level of tuna fisheries, island governments are confronted with the issue of how to organise and oversee the exploitation of a world-scale industry based on a migratory resource. This chapter focuses on the second of these issues, since it is in the area of tuna fisheries that the main policy issues of direct concern to New Zealand arise.

#### 14.2 The Tuna Fishery

Table 14.2 summarises the FAO data on historical development of the world tuna fishing industry, and Figure 14.2 provides a graph of the detailed figures. Figures for the last decade and a half appear reasonably consistent; data for the regional breakdown of the catch for the second half of the 1960s exist but are of doubtful quality; and prior to 1965 we were unable to locate any usable regional catch data for tuna type species.

FIGURE 14.1  
FAO MAJOR FISHING AREAS



Areas 71 and 77 outlined.

**TABLE 14.1: FISH CATCHES IN PACIFIC BASIN ZONES 71 AND 77, WESTERN CENTRAL PACIFIC/EASTERN CENTRAL PACIFIC**

|                                | 1975      | 1976      | 1977      | 1978      | 1979      | 1980      | 1981      | 1982      |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Central Pacific          | 6,407,464 | 6,805,271 | 7,645,837 | 7,871,880 | 7,864,257 | 8,311,298 | 8,425,361 | 8,308,700 |
| Non SPC Catches                |           |           |           |           |           |           |           |           |
| Non SPC Catches in the Pacific | 6,326,110 | 6,698,084 | 7,564,489 | 7,749,091 | 7,739,028 | 8,191,886 | 8,309,478 | 8,197,367 |
| SPC Catches                    | 81,354    | 107,187   | 81,348    | 122,789   | 125,229   | 119,412   | 115,883   | 111,333   |
| SPC % of Total                 | 1.20%     | 1.50%     | 1%        | 1.50%     | 1.60%     | 1.40%     | 1.30%     | 1.40%     |
| SPC Western Central            |           |           |           |           |           |           |           |           |
| Fiji                           | 4,824     | 5,230     | 6,707     | 8,423     | 19,743    | 18,008    | 23,547    | 11,348    |
| F.S.M.                         | 7,926     | 6,437     | 6,386     | 11,574    | 6,720     | 5,478     | 5,581     | 5,581     |
| Kiribati                       | 16,280    | 16,580    | 16,976    | 17,935    | 18,338    | 18,925    | 19,861    | 19,540    |
| Nauru                          | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| New Caledonia                  | 973       | 872       | 1,425     | 2,326     | 1,920     | 2,061     | 2,061     | 2,061     |
| P.N.G.                         | 34,824    | 50,700    | 26,764    | 52,177    | 29,758    | 37,456    | 26,932    | 26,932    |
| Solomon Island                 | 8,711     | 18,600    | 15,776    | 20,673    | 28,332    | 26,835    | 27,029    | 33,418    |
| Tuvalu                         | 0         | 0         | 0         | 80        | 100       | 150       | 180       | 200       |
| Vanuatu                        | 2,610     | 2,710     | 2,816     | 2,825     | 2,819     | 2,937     | 2,715     | 2,715     |
| SPC Eastern Central            |           |           |           |           |           |           |           |           |
| American Samoa                 | 136       | 113       | 352       | 377       | 383       | 398       | 403       | 430       |
| Cook Islands                   | 1,000     | 1,000     | 1,000     | 1,091     | 830       | 830       | 830       | 830       |
| French Polynesia               | 2,169     | 2,826     | 699       | 2,987     | 2,406     | 2,406     | 2,406     | 2,247     |
| Niue                           | 0         | 0         | 0         | 20        | 10        | 15        | 15        | 18        |
| Samoa (Western)                | 1,000     | 1,100     | 1,250     | 1,090     | 1,890     | 1,990     | 3,095     | 4,020     |
| Tokelau                        | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| Tonga                          | 901       | 1,019     | 1,197     | 1,210     | 2,000     | 1,993     | 1,993     | 1,993     |

Source: Food and Agriculture Organisation of the United Nations, Yearbook of Fishery Statistics, Vol. 52 (1981), Table C 77, Table C 71, p. 264 266 and Vol 54 (1982).

The use of FAO Species Group 36 ('Tuna, bonito and billfish') in preparing Table 14.2 means that the figures do not permit us to determine whether the obvious increase in the relative importance of the central Pacific fisheries in the period since the 1960s has been due to a transfer of fishing effort in the pursuit of particular species, or an increase in the relative importance of skipjack tuna and yellowfin tuna (the two major species in the central Pacific)<sup>2</sup>.

From the point of view of Pacific island governments, what is important is that nearly half of the total world tuna catch (and over half the yellowfin and skipjack catch) now comes from the central Pacific compared to only a quarter in the 1960s; and that the Central Pacific tuna catch doubled in volume between 1970 and 1982. How much of this increase corresponded to fish caught within the 200-mile zones of island countries is hard to judge. Some observers have tended to suppose that the bulk of the central Pacific catch comes from Island waters, and then to produce estimates of the economic potential of tuna fishing on this basis. One often quoted figure is an estimate of \$600 million as the whole of the annual total tuna catch in the region. However, 1976 data reported in a recent study<sup>3</sup> and reproduced in Table 14.3 indicate a total 'foreign catch' within the waters of the Pacific Island countries of only 155,000 tonnes, compared with the total tuna catch for FAO zones 71 and 77 for that year of 1.1 million tonnes,

Table 14.2  
CATCH DATA FOR FAO SPECIES GROUP 36 (TUNA, BONITO, BILLFISH ETC)  
Annual averages

| Period  | World<br>Catch | Central<br>Pacific* | SPC<br>countries | Kiribati   |            |
|---------|----------------|---------------------|------------------|------------|------------|
|         | 000 tonnes     | 000 tonnes          | % of world       | 000 tonnes | 000 tonnes |
| 1938    | 390            | n.a.                | n.a.             | n.a.       | n.a.       |
| 1948-49 | 420            | n.a.                | n.a.             | n.a.       | n.a.       |
| 1950-54 | 636            | n.a.                | n.a.             | n.a.       | n.a.       |
| 1955-59 | 966            | n.a.                | n.a.             | n.a.       | n.a.       |
| 1960-64 | 1,192          | n.a.                | n.a.             | n.a.       | n.a.       |
| 1965-69 | 1,532          | 401                 | 26               | n.a.       | n.a.       |
| 1970-74 | 1,947          | 767                 | 39               | 43.7       | n.a.       |
| 1975-79 | 2,324          | 1,110               | 48               | 63.8       | 7.3        |
| 1980-82 | 2,580          | 1,180               | 46               | 74.3       | 8.5        |

Source: Collated from FAO Yearbook of Fishery Statistics, various issues.

\*FAO zones 71 and 77.

FIGURE 14.2

# WORLD TUNA CATCH 1938-1982

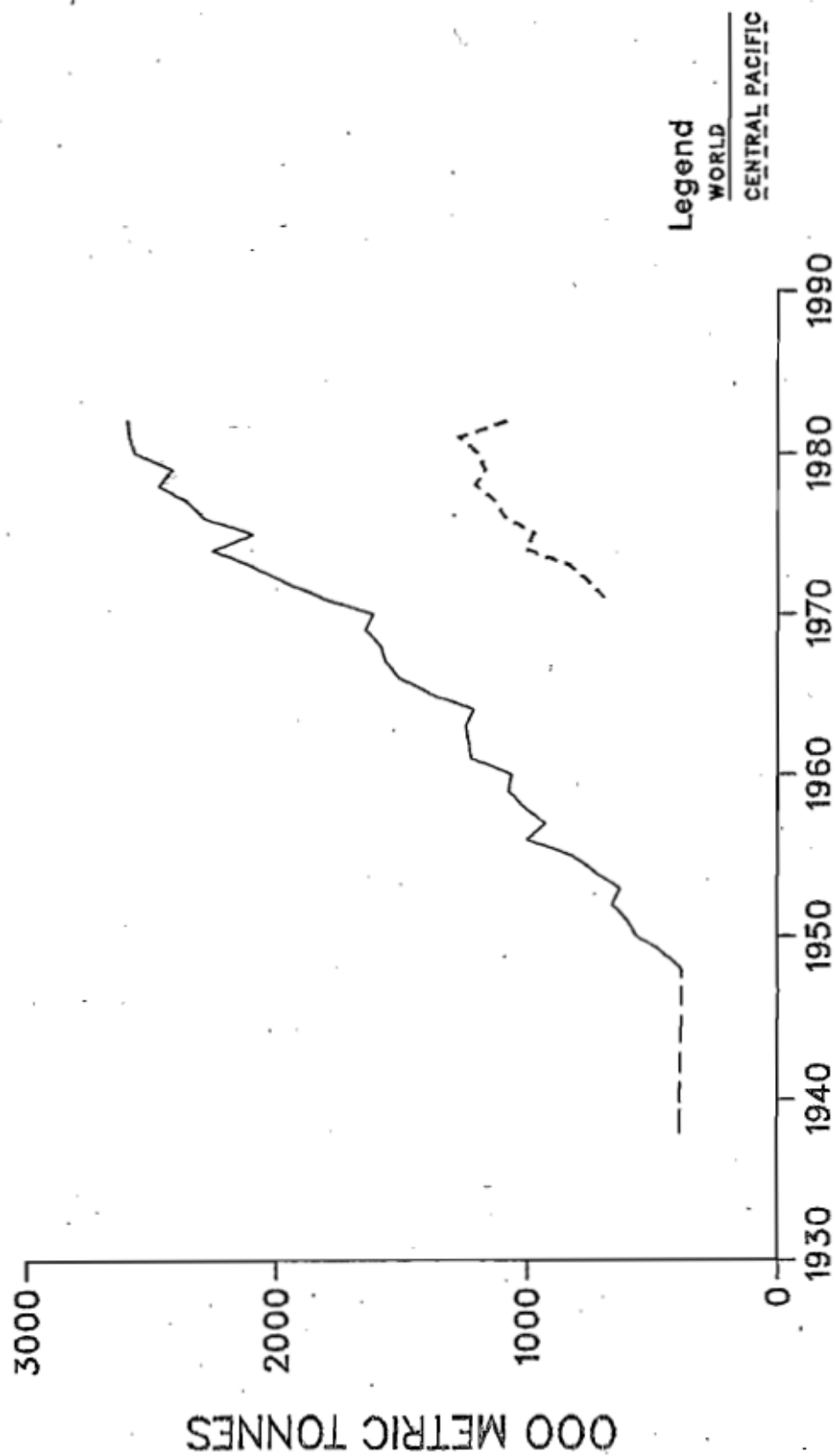


TABLE 14.3: POPULATION, SEA AREA, AND FOREIGN CATCH

|                 | Pop. (mid-1980) | Sea Area (000 km <sup>2</sup> ) | Foreign Catch (mt) | Catch/pop | Catch kg/capita |
|-----------------|-----------------|---------------------------------|--------------------|-----------|-----------------|
| American Samoa  | 32,400          | 390                             | 416                | 1.07      | 12.8            |
| Belau           | 12,200          | 615                             | 3,408              | 5.54      | 279.3           |
| Cook Islands    | 17,900          | 1,830                           | 2,876              | 1.57      | 160.7           |
| Fiji            | 634,100         | 1,290                           | 1,786              | 1.38      | 2.8             |
| Fr. Polynesia   | 148,100         | 5,030                           | 7,264              | 1.44      | 49.0            |
| FSM             | 73,750          | 3,051                           | 25,436             | 8.34      | 344.9           |
| Guam & CNMI     | 122,700         | 473                             | na                 | na        | na              |
| Kiribati        | 58,600          | 3,550                           | 27,919             | 7.86      | 476.4           |
| Marshall Is.    | 31,400          | 2,061                           | 22,167             | 10.76     | 705.9           |
| Nauru           | 7,300           | 320                             | 10,069             | 31.47     | 1,393.0         |
| New Caledonia   | 139,400         | 1,740                           | 1,858              | 1.07      | 13.3            |
| Niue            | 3,400           | 390                             | 293                | 0.75      | 86.2            |
| PNG             | 2,996,300       | 3,120                           | 16,845             | 5.4       | 5.6             |
| Solomon Is.     | 225,200         | 1,340                           | 19,957             | 14.89     | 88.6            |
| Tokelau         | 1,600           | 290                             | 2,095              | 7.22      | 1,309.4         |
| Tonga           | 97,400          | 700                             | 834                | 1.19      | 8.6             |
| Tuvalu          | 7,500           | 900                             | 9,497              | 10.55     | 1,266.3         |
| Vanuatu         | 117,500         | 680                             | 1,105              | 1.63      | 9.4             |
| Wallis & Futuna | 10,800          | 300                             | 541                | 1.8       | 50.1            |
| Western Samoa   | 156,400         | 120                             | 184                | 1.53      | 1.2             |

\*1976 Tuna longlining and Japanese pole and line figures are used

Source: Resource Use Arrangements in Southwest Pacific Fisheries, Penelope J. Ridings; Pacific Islands Development Program, East West Centre, 1983, P.4 Kearney, 1981; Klawe, 1978; Office of the Trust Territory, 1981; South Pacific Commission, 1982; U.S. Bureau of Census, 1980.

attributing thus only about 14% of the total catch to island waters. While this low figure may be partly due to under-reporting or non-reporting by vessels fishing those waters, it provides a worthwhile note of caution about the size of the likely sustainable yield of tuna from island EEZ's. Kiribati, for example, supports a catch of between 30,000 and 40,000 tonnes per year on what appears to be a sustainable basis,<sup>4</sup> and the Kiribati EEZ may prove capable of 50,000 tonnes per year<sup>5</sup>. Fish exports (basically tuna) from Kiribati in the early 1980s appear to have had an FOB value in the vicinity of A\$1,000 per tonne<sup>6</sup> which would indicate a rough valuation of the current total catch of over \$30 million (comparable with the value of phosphate exports at their peak in the mid-1970s). However, in contrast to phosphate (which was characterised by onshore, controllable production and extremely high profitability) the tuna fishery is widely dispersed over a vast area<sup>7</sup>, difficult and expensive to police, and not extraordinarily profitable, since the international industry and tuna market are highly competitive. Consequently, the net foreign-exchange returns to Kiribati from the country's tuna fisheries are never likely to replicate the performance of phosphates. Fish accounted for \$700,000 of Kiribati's total exports of \$4 million in 1981<sup>8</sup> while fishery licence fees brought in \$1.3 million of government revenue in the same year<sup>9</sup>, giving the Kiribati economy a return in the vicinity of 5% of the \$30 million value of the total catch. This seems to be more-or-less par for the course in the current saturated world market environment, and it is not clear what gains can be made now by either more stringent licensing fees or expansion of the locally owned Te Mautari tuna fishing operation (see section 9.14), at the expense of the Distant Water Fishing Nations. The current Development Plan envisages a possible increase in the level of fees revenue to \$2 million per year<sup>10</sup>, which can be compared with the present budget deficit of about \$9 million on expenditures of over \$16 million. Investment appraisals conducted by the Kiribati fishing venture Te Mautari Ltd forecast a 16% internal rate of return, with annual gross surpluses before depreciation rising to \$1.8 million annually in the late 1980s.<sup>11</sup> Read together with other data in the report, the company's projections seem to imply total projected returns to the local economy from its operations (net profits, payments of wages and bonuses, and other costs of purchasing locally-produced goods and services) of between \$1 million and \$1.5 million annually, on assumptions which are almost certainly optimistic.

The implication seems to be that tuna fishery development in Kiribati is likely to bring fishery earnings up to a level comparable with, or a little above, those of copra. This certainly represents a worthwhile gain for the country's economy, but by no means provides any prospect of making the economy "self-reliant".

Similar comments apply to Tuvalu, where the disappointing experience with the "Te Tautai" (see Chapter 10) has already dampened earlier excessive hopes. The Third Plan provides no estimate of the size of the stocks or catch in Tuvalu waters<sup>12</sup>. Revenue from fishing fees is estimated as \$200,000 for 1983, while the gross value of tuna caught (in Fiji waters) by the Te Tautai during that year appears to have been roughly another \$200,000<sup>13</sup>. Full implementation of the Tuvalu 200-mile EEZ may raise the level of licence fee revenues somewhat, but it will take a considerable effort to bring tuna fisheries in Tuvalu up to the level of economic contribution presently provided by philatelic sales.

In the Cook Islands, the local tuna catch remains insignificant, and the foreign catch appears to be well below the potential level (at least if Table 14.3 provides any guide). The Development Plan estimates the value of the present foreign catch in the EEZ at US\$12 million, from which the Government derives licence fees totalling US\$190,000 (less than 2%).<sup>14</sup> The Plan

envisages no locally-based development of offshore fisheries, and foreshadows no major drive to raise the level of fee revenues.

In Niue also the Development Plan provides a very low key treatment of the potential for tuna development. Catches by foreign boats in the first half of the 1970s are estimated to have been between 100 and 200 tonnes annually<sup>15</sup> (compare the 293 tonnes estimate for 1976 in Table 14.3) and there are no prospects for a local deep water fishing industry. The SPC skipjack survey indicated lower sighting rates for tuna schools in Niue waters than the Kiribati, and the fishery is further disadvantaged by distance and the lack of baitfish for pole-and-line vessels.

In Tokelau, despite the pressure by New Zealand for early signing of a maritime boundary treaty with the USA to permit negotiations with the ATA over access fees for the EEZ, licence fees do not appear in the Budget for the current year. Although an agreement with the ATA was signed in December 1983 by Tokelau together with Niue, Western Samoa, and Tuvalu, providing for a fee of \$25 per registered ton for up to 25 licensed vessels in the Tokelau EEZ, early expectations that this might yield revenues of WS\$100,000 per year have proved unfounded to date. Six vessels are licensed as of mid-1984, with likely revenues for the year not more than \$5,000. Future prospects remain uncertain, although the 1978 SPC survey drew attention to the technical feasibility of purse seining in the Tokelau EEZ and the advantage of proximity to the canneries in Pago Pago.<sup>16</sup>

On our five small states, therefore, only Kiribati has to date established a significant track record in tuna fisheries. Niue and the Cook Islands are located too far from Japan to have attracted intensive fishing effort by the Asian fleets, and are still unproven in terms of sustainable catch. Tokelau and Tuvalu have resources proven to some extent and already being exploited to a degree, but have not to date established any really lucrative licensing regime and may not be able to do so. The most successful fisheries development to date, and the main international incidents over fishing by unlicensed US vessels, have occurred in more westerly areas, particularly the Solomon Islands and Papua New Guinea, and the focus of the Forum Fisheries Agency and other regional initiatives has tended to be on the needs of those countries.

For the immediate future, therefore, four of our five small states are likely to participate only marginally in the benefits from the tuna fishery, and the degree to which they benefit will be heavily influenced by the licensing regime established on a regional basis by the Forum Agency, and the nature of the deals struck by other island states with more attractive resources to offer to the foreign fishing fleets. From New Zealand's point of view it is unlikely that the net returns to Niue, the Cook Islands and Tokelau from licensing arrangements will be sufficient to offset the costs of surveillance in their extensive EEZs, and that surveillance must therefore be justified as much as region-wide grounds (e.g. enforcement of a credible regional stance vis-a-vis the Distant Water Fishing Nations(DWFN)) as on grounds of contributing directly to economic development of these small states.

### 14.3 Regional Fisheries Policy

In the long run, the very large size of the sea area covered by the five small states may come into play to raise their share of the returns from regional tuna fisheries. As Table 14.3 indicates, the Pacific island nations together control 28.2 million km<sup>2</sup> of sea, of which the five



small states in this study control 7 million km<sup>2</sup> or 25%, compared to their 2% share of total population and 28% share of the 1976 foreign catch (this last figure due mainly to good yields in Kiribati and Tuvalu).

The success of the Forum nations in working out a harmonious licensing regime for foreign vessels has to date been somewhat limited, although efforts are proceeding. The establishment of a regional register of vessels 'in good standing' provides a valuable enforcement mechanism, and the recent arrest of a United States vessel by the Solomon Islands illustrates an increased readiness to assert local interests against pressure from the USA. There do not yet, however, appear to exist any thorough studies of the extent of taxable rents being generated in tuna fishing within the Forum EEZs, nor any systematic licensing regime to take account of the great differences from country to country in productivity per km of EEZ, distance from processing plants and markets, and ratio of local to foreign fishing activity. The 1982 Commonwealth Heads of Government Regional Meeting in Fiji recognised a 'failure to co ordinate their policies in issuing fishing licenses to other countries' and it seems fair to say that at this stage the fisheries issue is more a political one (involving the recognition and definition of regional common interests, and the strengthening of regional institutions and cooperation) than strictly an economic one. More intensive research effort on the development potential of the EEZs, and any large scale shift from licensing to locally controlled fishing industries in the small states, will probably have to wait until the institutional and administrative framework for the region's fishery policy have been more fully worked out.

#### 14.4 Three Key Policy Areas

With respect to the issue of fisheries development on a region-wide scale, there seem to be three areas in which New Zealand has an important role to perform. Firstly, at the level of diplomacy and international law, there are considerable problems posed by the fact that at present two of the major participants in the tuna fisheries are countries with which it is difficult to secure satisfactory negotiated agreements: Taiwan, because of New Zealand's non recognition of the government and refusal to contemplate direct dealings with Taipei by New Zealand-associated small states; and the United States, because of its refusal to sign the Law of the Sea treaty and its unwillingness either to police the fishing activities of its nationals, or to tolerate such policing by other sovereign states.

The problem of Taiwan has to date been coped with by tacit agreement to operate negotiations through non-governmental channels, and in due course it seems likely that if any substantial development of the Cook Island and Niue EEZs is undertaken, Taiwanese and South Korean vessels will play a leading role. The problem of the United States is more serious, because of that government's willingness to enter into political confrontations with Pacific states in defence of the rights claimed by the American Tunaboat Association. In 1982 Papua New Guinea arrested the Danica for trespassing, and in mid 1984 the Solomon Islands has also impounded an American vessel. What might have been routine case by case policing issues thus automatically escalate to the status of international incidents, with consequent threats to regional trade with the USA and with spin off effects on the climate of regional opinion towards the United States. Small Pacific states find themselves confronting diplomatic calculations similar to those which are long familiar to governments in Central and South America, where the potential costs of offending the US Government (e.g. by impounding

unlicensed fishing vessels)<sup>17</sup> must be carefully weighed against the increasingly heavy losses which would result from closing of the US market and any tightening up of migration access to the USA. (As we note in Chapter 17, the west coast of the USA is now becoming a more important migration destination for Pacific islanders than the traditional outlet of New Zealand, and this must inevitably colour the extent to which Pacific governments feel able to sustain regional solidarity in the face of direct US pressure).

TABLE 14.4 : REGIONAL VESSEL REGISTER 30 APRIL 1984

| Country of Registration | Longline | Pole & Line | Purse Seine | Total    |
|-------------------------|----------|-------------|-------------|----------|
| Cayman Island           | ---      | ---         | 2           | 2        |
| Fiji                    | ---      | 7           | 1           | 8        |
| Honduras                | ---      | ---         | 1           | 1        |
| Indonesia               | ---      | ---         | 1           | 1        |
| Japan                   | 633      | 87          | 63          | 783      |
| Korea                   | 51       | ---         | 8           | 59       |
| Mexico                  | ---      | ---         | 2           | 2        |
| New Zealand             | ---      | ---         | 2           | 2        |
| Panama                  | ---      | ---         | 6           | 6        |
| Philippines             | ---      | ---         | 10          | 10       |
| Taiwan                  | 27       | ---         | 9           | 36       |
| Tuvalu                  | ---      | 1           |             | 1        |
| United States           | ---      | ---         | 58          | 58       |
| Vanuatu                 | ---      | ---         | <u>1</u>    | <u>1</u> |
|                         | 711      | 95          | 164         | 970      |

Source: Forum Fisheries Agency

Given the disparity in both economic and political/military strength between the Forum states and the USA, there are obviously narrow limits on the Forum's ability to sustain an outright confrontation over the fisheries issue, and the importance of establishing and sustaining a position in international law is increased. New Zealand has contributed substantially in this area over the years and will no doubt continue to do so. In helping to establish a regional position on the fisheries question, however, it is vital to hold in view the ends to be pursued. We have suggested in this chapter that the economic gains from tuna development, while significant, are not so overwhelming as to justify the Forum, or New Zealand, sacrificing other major long-term interests either by attempting to stand-off the United States, or by seeking diplomatic accommodation at high local or regional cost. We have suggested in Chapter 8 that in the case of Olohega (Swain's Island) New Zealand may have pursued a maritime treaty with the USA too vigorously, at the expense of more important elements in our long-run political relations with Tokelau.

This leads to the second major area in which New Zealand may have a significant role to play. There seems to have been inadequate research work to date on the political economy of the tuna fisheries of the central Pacific; yet decisions on licensing regimes and regional investment

options hinge on the economics of fisheries operations at least as much as on the scientific issues of the size and migratory habits of the tuna stock. The bulk of the research effort to date seems to have been directed to the latter area, partly no doubt because of the 'political neutrality' of scientific findings. There are, nevertheless, several international agencies which should have a role in the preparation and publication of substantial in-depth analysis of the regional economies of fisheries development, and it would be appropriate for New Zealand both to encourage them to undertake more such work, and to ensure that its results are critically evaluated and interpreted. In particular it is important that research work of high calibre be promoted, and that the agencies be deterred from devoting resources to second-rate or ill directed investigative work.

The third area in which New Zealand has a role is the design and implementation of cost effective means of maritime surveillance. The use of Orion aircraft is of fair effectiveness for detection purposes, but is costly and lacks any capability for post detection enforcement. Moreover Orion flight paths are worked out for security purposes, not primarily for fisheries' purposes. Large naval vessels, similarly, incur costs disproportionate to the benefits derived from enforced licensing systems. One step towards cost effective surveillance would be for Forum Fishing Agency vessels, or national fishing fleets, to be operating themselves in tuna fishing, recovering from their earnings the costs of maintaining a presence in the various fishing zones. The extent to which such regionally owned and operated vessels would be delegated an enforcement role viz-a-vis DWFN vessels is obviously a ticklish issue. recedents set by Icelandic trawlers during the 'cod war' with Britain might be worth pursuing).

In the longer run, access to satellite intelligence data may solve part of the surveillance problem, but will still leave the problem of enforcement to be solved. Having declared its willingness to maintain a 'rapid deployment force' to cope with onshore political conflicts in the Pacific, it may well be appropriate for New Zealand to demonstrate an equal willingness to maintain some rapidly-deployable fisheries enforcement capability. How this task might best be achieved, however, is a technical and political issue beyond the scope of the present study.

## NOTES TO CHAPTER FOURTEEN

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- <sup>1</sup> Revised Single Negotiating Text for Law of the Sea, cited by R.E. Kearney, 'The Law of the Sea and Regional Fisheries Policy', 1977, p.2.
- <sup>2</sup> The figures could be obtained from the FAO statistics, but we have not had time to do so.
- <sup>3</sup> P.J. Ridings, Resource Use Arrangements in Southwest Pacific Fisheries (1983): 4.
- <sup>4</sup> Kiribati National Development Plan 1983-1986: 104-105 estimates that in the late 1970s prior to implementation of the 200 mile EEZ, foreign fishing fleets were catching 5,000-10,000 of longline tuna and up to 30,000 tonnes by pole and line methods. The 1976 foreign catch estimate in Table 14.3 of 28,000 tonnes, added to the FAO estimate of the Kiribati national catch of 7,000 tonnes for that year, confirms these figures.
- <sup>5</sup> Te Mautari Ltd Corporate Plan 1984 1988 (1984) Chapter 2 suggests that the 30,000 tonne skipjack catch is well within the potential catch, that the yellowfin catch could exceed 10,000 tonnes per year, and that bigeye potential should exceed 6,000 on the basis of which the company project a sustainable yield of over 50,000 tonnes.
- <sup>6</sup> Asian Development Bank (1982): 42.
- <sup>7</sup> In early 1984 the Kiribati vessels were catching good stocks close to base in Tarawa; however there is no certainty that this situation will last.
- <sup>8</sup> Asian Development Bank (1983) p.42.
- <sup>9</sup> Asian Development Bank (1983) p.31.
- <sup>10</sup> Development Plan 1983-1986 p.105.
- <sup>11</sup> Te Mautari Ltd (1984) Chapter 12.
- <sup>12</sup> R.E. Kearney, Final Country Report No. 8, Tuvalu (SPC 1983) is equally unhelpful on the level of stocks or the sustainable catch. He draws attention to the shortage of baitfish as the main constraint on development of a locally based pole and line operation.
- <sup>13</sup> Tuvalu Draft Third Development Plan 1984-1987 pp.10-6 & 10-7.
- <sup>14</sup> Cook Islands Development Plan 1982-1985: 70.
- <sup>15</sup> Niue National Development Plan 1980-1985: 50.
- <sup>16</sup> Skipjack Survey and Assessment Programme Final Country Report No 10 (1983).
- <sup>17</sup> In the early days of Exclusive Economic Zones both Peru and Ecuador impounded US tuna vessels, and suffered the consequences in terms of US economic sanctions and political pressure.

## CHAPTER FIFTEEN

### EDUCATION\*

#### 15.1 Introduction

The mini states under study cannot be lumped together even although they have the intrinsic educational problems of small states: that is, how to provide enough good quality education of the right kind, and how to pay for the resources required.<sup>1</sup>

The people of the Cook Islands, Niue and Tokelau are New Zealand citizens with strong personal and constitutional ties with New Zealand. New Zealand has a responsibility to assist with educational development to ensure that her citizens be not disadvantaged. The situation poses the long time problem of the best type of education to serve this dual future; a matter now in the hands of the people themselves. Kiribati and Tuvalu are simply foreign countries associated with New Zealand through membership of the Pacific Forum community. They have a heritage of British rule and of Cambridge School Certificate and until lately have had no dependence on New Zealand examination facilities. All the countries have limited resources though these differ and, except for Niue, have scattered islands with problems of communication and the expense of duplicative schools.

New Zealand was responsible for education in the Cook Islands and in Niue from the beginning of this century until self-government, in Tokelau since 1925 and, while having no responsibility, has been involved in Kiribati and Tuvalu (the former British Colony of Gilbert and Ellice Is.) since the early 1950's.

In all cases, the initial establishment of education, was in the hands of missions, particularly the London Missionary Society. It was designed to create literacy and to evangelise. When New Zealand became politically responsible in the Cook Islands, Niue and Tokelau it became clear that, while regulations could be made, it was cheaper to leave education to the missions. There was also ongoing argument between administrators as to the type of education. Many reports were made during the years preceding World War II and changes in curriculum direction, but liberality was generally hampered by the views both of the administrators and of the island people themselves who saw education largely as a means to prepare for clerical positions in government. This in spite of far seeing men like Sir Apirana Ngata, Minister in Charge of the Cook Islands, who believed that Cook Islanders should be educated to meet the world as they were already exposed to it.<sup>2</sup> The New Zealand Government's policy followed closely that for its Maori schools of which a feature was the insistence on English as the medium of instruction.

In those pre-war years it seemed that the Island people would remain in the islands and that too much education would be unsettling. Few foresaw the effects of the Second World War with rapid technological development, increased travel, mobility and political unrest. The war had an important bearing on subsequent development. It occasioned an outburst of nationalism in Western Samoa which served to focus the attention of the New Zealand Government under Prime Minister, Peter Fraser, on its responsibilities in the islands it administered. From this acceptance of responsibility emerged a comprehensive report on education, prepared by Dr C.E. Beeby,

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\* By T.F. Kennedy, Former Director International Education, Department of Education.

Director-General of Education, which set the pattern leading up to self-government.<sup>3</sup> Significant effects of that report were the establishment of a special section of the Department of Education to be responsible for Islands' education, the reintroduction of vernacular in the early years of schooling, a more culturally based curriculum, the establishment of secondary schools and teacher training and the reintroduction of a Scholarship Training Scheme which had been interrupted by the war. The stated aim of education was to enable the people to create a spirit of self-help and self-reliance, to work towards their own social and economic betterment.

While scholarship training in New Zealand began immediately, it was not until the mid 1950's that secondary schools were established in the Cook Islands (Tereora College) and in Niue (Niue High School). The policy for these secondary schools was to provide a sound education for selected primary pupils, to supply skilled administrators, teachers and professional people to serve the countries' needs. This could never be successful as it was not in a closed society; anyone could migrate to New Zealand at any time. The later provision in the Cook Islands of Junior High Schools on outer islands, with more practical curricula, before long became victims of their own development. Parents, under self-government, wanted equal opportunity for their children and demanded courses leading to New Zealand School Certificate, refusal of which by the government would be political suicide.

Niue, being one island, at first attempted to have the more able students at the High School and to run practical courses for the less able in the upper primary classes. These courses, in the main, were of low quality and uninteresting. Parental pressure and the economies of scale resulted, in the early 1970's in consolidation of all pupils of Form I and above at the High School, where a wider variety of better quality courses could be supplied.

Tokelau is a special case. Its education system was largely neglected and run under the Western Samoan Department of Education until the 1960's. The three atolls were the subject of infrequent visits by officials. A few brighter students were brought out for further education in Samoa. Standards in Tokelau schools were very low, being a little higher in the Catholic mission school on Nukunono. It was not until 1969 that three New Zealand teaching couples, as Education Officers, were sent to the three atoll schools with the object of up grading education in view of the New Zealand Government's plan to resettle Tokelauans in New Zealand. New schools were built and very well supplied with equipment, teaching materials and libraries. The brief given the advisory teachers was to strengthen and develop the education system including pre school and adult education. There was a marked improvement in standards. Regular in service training for teachers in New Zealand and in Fiji helped to further raise teacher quality though many of the older teachers found difficulty with English language, science, mathematics and social studies.

The reversal of New Zealand Government policy to resettle the people in New Zealand led to a change of education policy. The Education Officers were asked to develop syllabuses with strong, atoll orientation while containing a basis which could be applied in New Zealand for those who moved. Extension of schooling and the enforcement of the school leaving age of fifteen created some problems in atoll life. Many of the working-age group of men had left for New Zealand and older school pupils, an important part of the work force, were now taken out of it by being in school.

Because of the distance apart and people's wishes, it was necessary to triplicate the education services. In 1976 the Tokelau Administration decided to phase out New Zealand teachers, who had

a high profile and living standard. There followed a marked reduction in educational standards especially in such practical subjects as woodwork and home economics as well as in English language. In an attempt to regain standards but without a constant presence, it was decided in 1980 to appoint a New Zealand teacher as an adviser who would regularly travel around the atolls, staying on each one for several months.

Assistance to the then Gilbert and Ellice Islands began in the 1950's in response to a request for an experienced primary teacher to serve as Chief Inspector of primary schools. This led to the appointment of a New Zealand teacher to run the small, English speaking primary school for expatriate children and then later to several positions in the newly established primary teachers' college. Through the teachers, substantial quantities of New Zealand school journals and other school publications were provided. New Zealand's assistance was not by financial aid but by assistance in the recruitment of a few teachers who made a strong, professional input to primary education and teacher training.

During these years private students, sponsored by missions and by the Gilbert and Ellice Administration, studied in New Zealand particularly at St Andrew's College and Ardmore Teachers' College. They numbered as many as thirty by 1970. The provision locally of more senior school education and the development of the University of the South Pacific, reduced the demand although some parents still wished their children to study privately in New Zealand.

With the partition of the colony into Kiribati and Tuvalu and the coming of independence, one of the major problems of education in island mini states became apparent. Key educational services had been heavily concentrated on Tarawa atoll in what is now Kiribati. These included the Education Department, inspectors, advisory services, school supplies distribution, the government secondary school and the teachers' college. A new infrastructure had to be created for Tuvalu including the up-grading by government of the mission secondary school on Vaitupu.

Localisation, increased British aid and British teachers and the use of overseas volunteers reduced the demand for New Zealand contract teachers which at no stage had numbered more than eight.

## 15.2 New Zealand's Present Educational Assistance

This is broad in scope as the policy is to respond to requests for assistance by the countries concerned. New Zealand is uniquely placed because of its small nature and multi-cultural society, to provide a wide range of educational consultancy. The volume is constrained by the finances available under Government Aid policy.

## 15.3 Teachers

Some thirty teachers are currently serving, the majority being in the Cook Islands (Table 15.1). The pattern of teacher supply has changed through a self-generating development. As primary teaching standards improved, more children reached the level of secondary education. With primary schools now being staffed by indigenous teachers, most New Zealand teachers are working at secondary, tertiary and advisory levels (Table 15.2). Those working in secondary (Cook Islands and Niue) are mainly in senior secondary (New Zealand School Certificate and

University Entrance) and in science, mathematics and accountancy. Few of the returning teacher trainees are qualified in these subjects which they seem to find unpopular in common with teachers from the non-Asian developing countries. There seems no likelihood of substantial localisation here for many years and it is estimated that the number of New Zealand teachers may not fall below fifteen.

There is still a critical situation in teacher supply at all levels. The tendency is for the best Cook Island primary teachers to be posted to lower secondary classes thus denuding the primary schools with a consequent lowering of primary achievement. Also many students trained as teachers are lured into other government jobs as these can be more financially rewarding. Teacher training and retraining is essential for educational development as the achievement of quality in education is associated with the quality and training of teachers within the system. Their prior scholastic level and entry qualifications, the length and nature of their training, all influence their teaching competence, confidence and receptivity to innovation and change.

In the countries under study, as well as low material prestige in teaching, there is the factor of negative selection. This, coupled with the relatively small number of school students gaining School Certificate or University Entrance means that, when other more popular training awards are taken up, there are few well-qualified students available for teachers' college. The result is that much of the teacher training is simply an extension of secondary school courses. While making available School Certificate and University Entrance studies to teacher training institutions, New Zealand is consciously encouraging use of University of the South Pacific courses.

TABLE 15.1

| Numbers of New Zealand Teachers on Government to Government Contracts |      |      |      |      |      |      |      |      |      |
|-----------------------------------------------------------------------|------|------|------|------|------|------|------|------|------|
|                                                                       | 1941 | 1949 | 1957 | 1967 | 1970 | 1975 | 1977 | 1980 | 1984 |
| Cook Islands                                                          | 6    | 13   | 18   | 36   | 36   | 33   | 28   | 28   | 22   |
| Niue                                                                  | 1    | 2    | 4    | 19   | 16   | 15   | 11   | 8    | 6    |
| Tokelau                                                               | -    | -    | -    | -    | 6    | 6    | -    | 1    | 2    |
| Kiribati                                                              | -    | -    | 2    | 2    | 3    | 8    | 2    | 2    | -    |
| Tuvalu                                                                | -    | -    | -    | -    | -    | -    | -    | 1    | -    |



TABLE 15.2

Numbers of New Zealand Teachers at Various Levels (1984)

|              | Primary | Secondary | Tertiary | Advisers &<br>Curriculum |
|--------------|---------|-----------|----------|--------------------------|
| Cook Islands | -       | 20        | -        | 2                        |
| Niue         | -       | 6         | -        | -                        |
| Tokelau      | -       | -         | -        | 2                        |

The tables do not reveal the true situation as there are some non-Island teachers directly employed as well as volunteer teachers from New Zealand, Australia and Britain. There are a number of missionary teachers also. In the Cook Islands in 1980 for example, such teachers numbered 26, almost equal to the New Zealand contract teachers. Overseas teachers represented 25% of the total 200 secondary teachers.<sup>4</sup>

#### 15.4 Curriculum

New Zealand teachers and curriculum specialists have been assisting in the Cook Islands, Niue and Tokelau for many years helping to produce structured curricula and teaching materials. A large volume has been produced, constantly changing in emphasis to reflect general policy, educational advances and local desires. Counterpart use has featured prominently but with limited ongoing success as too often the achievement of the counterpart has led to promotion out of the curriculum field. Indirectly, New Zealand is also assisting curriculum development through its support for the University of the South Pacific, the South Pacific Commission and United Nations Curriculum Programme, the New Zealand approach being to encourage local needs, ideas and materials in curriculum development. There has probably been some misapprehension about this in the past both on the part of the specialists provided and of outside critics. It is clear that what is studied needs to be 'relevant' for the immediate future and provide a skill base for learning for the future. It also needs to be specific to individuals and their possible futures and it is neither easy nor desirable to select these people at an early age. New Zealand believes, as it has done even prior to the Beeby report implemented in 1946, in a broad, culturally based curriculum. This includes, not only core subjects such as vernacular, English, mathematics, science, social science, physical education, arts and crafts but also agricultural and technical subjects.

Curriculum assistance in the 'practical' areas includes technical subjects and home economics in the Cook Island secondary schools, Niue High School, the Tokelau schools, locally based multi-craft centres on the islands of Tuvalu and previously with the Marine Training School in Kiribati. Historically, as with agriculture, the success of the courses has waxed and waned with teacher expertise and motivation. Current aid in formal agricultural education is largely through support for teacher education at Alafua College in Western Samoa.

Language, together with social science, presents the most sensitive curriculum area. There appears to be an erosion of the vernacular in the countries concerned due to the absence of a clear language policy and the vernacular not being an examination subject except in the Cook Islands School Certificate. While concerned at having a vernacular support policy, so that English language teaching does not erode the vernacular and therefore be seen as an aid disadvantage, New Zealand recognises an interest and responsibility in the teaching of English. It is the language of commerce, senior school education and of everyday life for those who come to live here.

The Tate Oral English programme was originally designed and prepared by New Zealand for the Cook Islands and Niue and is now widespread in the Pacific. New Zealand provides school journals and other printed English materials and, through teachers, assists with many local programmes. New Zealand has much to offer in the field of language teaching and many techniques developed here or by New Zealand teachers working in the Pacific, are in use. The Tate Oral English series, designed for teachers whose own grasp on the language is insecure, has greatly contributed to the teaching of English but it has, at the same time, narrowed the thinking and techniques of many teachers and does not greatly help with reading. Many are of the view that it has outlived its usefulness, having been superseded by current methodology. It is, however, still widely used in the absence of a suitable replacement which would itself require an integrated programme of in-service training. New Zealand is assisting with reading programmes capable of supplementing Tate based on book flood, shared book approach, graded reading and story writing. At the secondary level the provision of Pacific based alternative papers in English at School Certificate and University Entrance levels has been of major importance.

Localisation of teachers over recent years has withdrawn native English speakers as models and as travelling advisers, resulting in a marked decline of primary school pupils' English. The products of these schools, some illiterate in both English and the vernacular, appear in the secondary schools and the amount of remedial work required to raise their standard is much too great. New Zealand is providing books, in service training for teachers at such places as the English Language Institute in Wellington and Distance Education courses in an effort to assist in raising standards of English.

### 15.5 Examinations and Assessment

The chief area of assistance here is the provision of New Zealand School Certificate and New Zealand University Entrance examinations. The schools concerned are sent new information and receive annual, advisory visits by officers of the New Zealand Department of Education. As a result of growing dialogue between New Zealand and the South Pacific countries in the early 1970's on unsatisfactory aspects of the School Certificate examinations, the prescriptions have been made more relevant to the Pacific Islands candidates by the development of South Pacific Option prescriptions and papers in English, mathematics, science, history and geography beginning in 1976. The same has taken place for University Entrance English. Other areas of assistance include aid and advice on evaluation and assessment procedures and training of personnel. For example the Cook Islands has developed its own lower Form 5 School Certificate for internal use. It is hoped that this, as with other Pacific Island 'national' examinations, might eventually be incorporated into the validating function of the South Pacific Board for Educational Assessment, a body which New Zealand had a large influence in establishing, in the expectation that it would enable Pacific countries to disengage from reliance on New Zealand examinations.

There seems little prospect of this happening in the Cook Islands or Niue where the New Zealand 'ticket' is a sought after job qualification within New Zealand. Ironically, the provision of School Certificate South Pacific Options rather than causing disengagement, led to Kiribati and Tuvalu taking up the New Zealand examination. A recent development has been the participation of personnel from the South Pacific states as counterparts in the advisory visits to schools with the prospect of a diminishing role for officers of the New Zealand Department of Education.

#### 15.6 Libraries and School Publications

Advice on setting up school libraries and public libraries together with funds for book purchase have been provided on request to all countries concerned. The school libraries in Tokelau and at Niue and Cook Island secondary schools were previously very well stocked and maintained. With local allocation of funds less is being spent on these libraries. The administering authorities, including those in Tuvalu and Kiribati, receive New Zealand school publications, journals, bulletins and resource material on a regular basis. Recent research,<sup>5</sup> has reinforced the importance of providing a wealth of reading material for developing literacy and language facility. Support has been given to local writers to produce culture based material in the vernacular.

#### 15.7 Distance Education

The New Zealand Correspondence School, the Technical Correspondence Institute and Massey University make study courses available where such courses cannot be locally provided. Often this takes the form of supplementing senior school, teachers' college or teachers' courses. The studies are provided on request and with the approval of the local Department of Education. New Zealand support for the University of the South Pacific helps the expansion and use of that University's Extension services including the PEACESAT operation.

#### 15.8 Teacher Training

New Zealand encourages and supports local teacher training except in Tokelau where, because of its small size, training has been sponsored in Western Samoa, the Cook Islands or in New Zealand. In-service training in Tokelau is actively encouraged. A decline in the annual need for primary teachers resulting from declining school rolls has led, however, to the suspension of teacher training in the Cook Islands. New Zealand programmes are likely to be used for the small number of teachers required from time to time.

In service courses are essential for teachers and particularly those in isolated schools. General courses, or specific ones, such as a six-month English language course for Tokelauans are run from time to time in technical institutes in New Zealand. Increasingly, funds and encouragement are being given for courses in third country institutions such as the University of the South Pacific or the South Pacific Training Centre in Suva. Short to medium term ad hoc courses have been arranged in New Zealand from time to time in recognition of particular training needs.

### 15.9 Technical Education

This has long been a thorny problem and has been supported in one way or another for fifty years in the Cook Islands and Niue, for twenty years in Tokelau and more recently in Tuvalu. Whether it has succeeded or failed has depended on teacher expertise, the adequacy and maintenance of workshop, kitchen and garden facilities, supplies of materials, the appropriateness of syllabuses, and subject popularity. Because of the high cost involved, it is vital for both New Zealand and the countries concerned to monitor such projects carefully.

In home economics strong support is given locally and to courses held at the South Pacific Commission Centre and, in agriculture, to teacher training at Alafua College. It is important to realise that, in fields such as electrical and automotive maintenance, standards need to be as high as those in New Zealand. Electrical appliances, cars, motor cycles and outboard motors are the same as in New Zealand.

During the last three years New Zealand has provided technical assistance through ILO for the setting up of multi-craft centres in Tuvalu. These show some promise and are being looked at as a possible model for Tokelau and the Cook Islands.

### 15.10 Scholarships

Provision for education and training at all levels in these countries is made under various government scholarship schemes. Some of this training is in New Zealand and some in third country institutions such as the University of the South Pacific.

The aim of these schemes has always been to provide a pool of trained people who could take over the running of their country and develop it in accordance with the wishes of the people. It has had mixed success because, being New Zealand citizens, many of the "scholarshippers" failed to return home or, if they did, remained for a short period. Such schemes have operated since 1946 for the Cook Islands and Niue but only since 1963 for Tokelau. The Tokelau scheme has not been notably successful partly because of low primary standards in Tokelau, the intense culture shock experienced by young Tokelauans on arriving in New Zealand and no compulsion for them to return to Tokelau after training.

There are also a number of students studying privately in New Zealand.

### 15.11 University of the South Pacific

New Zealand has strongly supported the university since its inception as the major institution for tertiary education in the region. Its establishment in 1968 has made possible higher level education in a South Pacific setting and cultural environment, minimising the alienation and manpower loss that is often associated with prolonged study in a metropolitan country. While located on two main campuses, in Suva and Apia, the university has an established presence throughout the region with Extension Centres in almost all countries underpinning university activities there, particularly distance education by correspondence and satellite communication. University institutes act as agencies for in service training and consultancy work and New Zealand has placed strong

emphasis on the use of aid to fund in-country projects through the university's Institute of Education in particular.

It has always been recognised that the university would not be able to satisfy fully the higher education needs in the region. This applies particularly to the more highly specialised courses for which study in New Zealand or elsewhere has remained necessary. More recently it has become evident that, despite the university's range of sub-degree, as well as degree courses, and its wish to be flexible and responsive, priorities in the region do not always coincide and there is an increasing tendency to consider establishing national institutions for lower and middle tertiary training. The university, nevertheless, remains a key resource in South Pacific education and New Zealand continues to support it by ways of buildings, maintenance, staff assistance and secondment and supply of books and equipment.

#### 15.12 Special Forms of Education

Hearing surveys and training of teachers of the deaf have been provided for the Cook Islands. This is a classic case of the problem of training and subsequently retaining specialists. Hearing surveys revealed the need for specialist teaching in this field in the Cook Islands. Two Islanders were trained in New Zealand but on their return to the Cook Islands both were shortly promoted leaving the situation in schools as it was before the training.

Involvement with pre-school facilities in Tokelau, Cook Islands, Tuvalu and Kiribati has been quite successful. It has focused on the community and family base which is so strong in Pacific societies.

#### 15.13 Future Aim of Education Aid Policy

It is difficult to foresee how the people of these mini-states will adjust to the resource base they are developing and to their relationships with other countries in the region. What is clear is that New Zealand is committed to continuing to take part in that future in a supportive and interactive role. It is a part of the region geographically and politically. This has been emphasised by the recent establishment of a Ministry of Pacific Affairs in the New Zealand cabinet. In the city of Auckland there is the largest concentration of Polynesian people in the South Pacific. Further, this identity is increasing and by the year 2000, one in four of the population under twenty years of age will be non-European. For this reason alone, leaving aside the question of aid, New Zealand should welcome the opportunity for its teachers and other educationists to work in the Pacific. It has two-way benefits: they can assist technically; can be forced to do some basic educational rethinking; can, if carefully chosen and briefed, act as ambassadors; and, on return, have much to contribute to the New Zealand system to supplement the support given to the education of Pacific Islanders through such institutions as the Pacific Islanders' Educational Resources Centre and the Wellington Multi cultural Educational Resource Centre.

There appears to be no reason why the New Zealand education policy should differ greatly in principle from that at present. That is, its role is to act in a responsive way providing the kind of educational services and advice already outlined but within the limits of finance and resources available. The underlying aim should be gradual disengagement where possible by strengthening the internal resources. In this respect, it is important to work closely with other aid donors to avoid

conflict and duplication and in order that education and training can reinforce other aid development projects.

Whatever legacy has been left in education by former "colonial" powers, the states themselves now need to find the answers to their own salvation in terms of the hopes, aspirations and fears of their societies. In order to respond helpfully and intelligently we need to ask a number of fundamental questions. Some of these are not education questions as such; they are questions of policy arising out of the political, social and economic needs of society. They are questions such as the matter of migration which education alone cannot solve.

In the mini states concerned there are two separate issues. At present the people of Kiribati and Tuvalu do not have an emigration outlet and education can be directed towards internal development. Cook Islanders, Niueans and Tokelauans, being New Zealanders, must have an education which assists with local development as well as with living in New Zealand. There is no ignoring this. Education per se cannot prevent migration its answer lies in economic development and social excitement. Life on a small, isolated island can be limiting. One must start from the premise that, given the preference of rural youth, the terms of trade are weighted in favour of urban Rarotonga or Auckland. Any attempt to deal with this problem must begin with efforts to shift these terms of trade in favour of the rural, small islands and not simply with attempts to provide a rural or technical curriculum. Young people are leaving the rural areas not because they don't know enough about farming and rural life but because they know too much and they do not like what they see: low and fluctuating returns, inequitable profit sharing, produce rotting through lack of shipping and land tenure difficulties. The whole process of development works against retention of rural youth. The media, radio, films, advertising, the lure of exciting places with better transport systems and the presence of tourists with their obviously different life style, make the young curious and dissatisfied.

Tokelau presents a special problem. There is obviously something wrong with the education system. It is reflected in the low achievement at secondary level. Able students brought to New Zealand at substantial cost for secondary education have a very low success rate and hence profit little from their educational experience. The quality of teaching in Tokelau schools reduces through the class levels as subject matter becomes wider and deeper than the teachers can handle. English language is hampered through having no native English speakers. It is likely that the older the scholarship children are, the further behind their peers they will be on entering New Zealand schools and the greater the culture shock. One has only to fly in at night over the fairyland of lights that is Auckland beside some wide-eyed young Tokelauans in their leis and Sunday-best to realise the effect of culture shock. The reality down there is hard and competitive, the more so at higher class levels.

The second fundamental question relates to the kind of education to serve these purposes. This topic will continue to dominate educational planning but should become less emotional and more practical in discussion. What curriculum and what study materials within it can adequately prepare island pupils to develop their own resources, to maintain their ethnic identity, to cope with increasing westernisation and if necessary to live comfortably and productively in a metropolitan country? What skills and knowledge do students need and how can these be efficiently taught?

The curriculum should be broad based, related to and meaningful in the environment. It should be rooted in local traditions but giving a reasoned pathway to other choices and visions. New Zealand

should continue to assist in the curriculum support areas, particularly by providing training of personnel in writing materials, in illustration, photography and in printing. Continued assistance should be given in the assessment field which does more than anything else to reinforce a new curriculum. This should aim at developing national assessment standards which have international portability. From New Zealand's point of view, while there seems to be no likelihood of a reduction in migration to New Zealand, aid should go to ensuring that local, national, paper qualifications are recognised in this country and not represent wasted years of education.

In all the mini states, as has already been noted, there is a shortage of teachers of science, mathematics and English. The last is easily understood. Each of the states has its own, strong mono-vernacular, widely, perhaps solely, used in village and home. There is no need for a lingua franca except with the outside world and in the remote islands this rarely happens. English is an artificial and difficult language in isolation. The official argument about bi-lingualism continues but without firm directions. New Zealand should expand its help in English teaching and associated English language publications and research and at the same time contribute what it can in the field of language teaching.

The continued shortage of indigenous science and mathematics teachers is a source of concern. The reasons are complex. Because of the shortage, localisation, at primary and junior secondary level has resulted in science particularly, being neglected. There is a tendency for little or no practical work to be done although this is undergoing change as awareness of appropriate curricula becomes more established. Science concepts, particularly in physical science, are difficult to achieve in a limited technological environment where sound science knowledge and imagination are required to create, explain and discover. Students graduating to upper secondary and tertiary education face a massive backlog with which few can cope. Those who do, find encouragement and reward in fields other than teaching. Their skills are in strong demand in economic development areas. Much effort has gone into attempts to strengthen science teaching, with national courses, UNDP programmes, bilateral specialists and New Zealand funding of University of South Pacific science curriculum projects such as the one in Tonga. Still there is little reduction in the demand for overseas teachers. Faced with this demand and the likelihood of its continuing, New Zealand might well fund research into the problem of science motivation and learning. It might also fund science teacher training awards along with every science teacher requested, but, as earlier pointed out, it is unlikely that there will be many suitably qualified trainees.

A feature of educational management in the mini-states has been a lack of continuity in personnel. This is aggravated by New Zealand teachers supplied on short term contracts. As a result the "wheel" has been reinvented many times and curriculum methods and materials evolved from the view of individuals, often with a strong New Zealand flavour. There is insufficient supervision of new curriculum material. In the Cook Islands, until recently, newly developed syllabuses were introduced to schools without requiring Ministerial approval. Fortunately curriculum committees now reduce the dangers of the individual approach and practising teachers are increasingly involved. A lack of continuity in management, also means a short official "memory", with the possibility of repetition of past mistakes. New Zealand has a greater official continuity both in personnel and on file. In making aid available it could well be less responsive to projects which earlier experience had proved ineffective or even wasteful.

Future aid policy should be flexible because education, while having repetitive needs, such as teaching training, is constantly changing as it develops. In the immediate future, New Zealand's

aid would seem most useful in the provision of teachers and specialists in English, science and mathematics; scholarship training programmes; teacher training including technical; curriculum and resource development; training in educational management and the teaching of English; non formal education. Some consideration could be given to greater input at the primary level of schooling which has been neglected with resultant literacy problems.



## NOTES TO CHAPTER FIFTEEN

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- <sup>1</sup> R.T. Shand (Ed) The Island States of the Pacific and Indian Oceans: Anatomy of Development, Development Studies Centre Monograph No.23, Australian National University, Canberra, pp347-68.
  - <sup>2</sup> F.R.J. Davies, 'The New Zealand Contribution to Education in the Pacific', in Angus Ross (Ed), New Zealand's Record in the Pacific Islands in the Twentieth Century, Longman Paul, for N.Z. Institute of International Affairs, London, 1969, p.279.
  - <sup>3</sup> Davies (1969) : 281.
  - <sup>4</sup> R. Murray Thomas and T. Neville Postlewaite (Eds), Schooling in the Pacific Islands. Colonies in Transition, Pergamon Press, Oxford, p.283.
  - <sup>5</sup> Geraldine McDonald and Alistair Campbell (Eds), Looking Forward: Essays on the Factor of Education in New Zealand, Te Aro Press, Wellington, p.127.



## CHAPTER SIXTEEN

### AID IN DEVELOPMENT

#### 16.1 Aid in the South Pacific

Aid or “development assistance” in the South Pacific is merely a carry-over of policies designed by the industrialised countries for their former colonies and Third World countries. The Marshall Plan in Europe and later the Alliance for Progress in Latin America, initiated the massive transfer of technology, capital investment and diffusionist approach that underlie most conventional aid policies. In the 1950s, aid became closely associated with the decolonisation process, the working out of the first national income accounts, intensified planning as many colonies in Africa and Asia moved towards independence, and independence settlements. The loans granted by the British Colonial Development and Welfare Corporation, for example, and the N.Z. Citrus Replanting Scheme in the Cook Islands from the 1940s, illustrate both attempts to foster autonomous development and a belief in the efficacy of public-sector-led development for the ex-colonies. In the era of post-World War II optimism, it was believed that poverty could be banished from the face of the earth in a decade or so, that the “emergent countries” really were emerging from poverty and traditionalism, and the hopes of the new “modernisation” school were encouraged by the “New Frontiers” psychology<sup>1</sup> and the “Development Decade” decreed by United Nations organisations. To the many new aid “experts”, international bureaucrats and technocrats, the South Pacific islands did not appear as unique or distinctive societies, set in a vast, empty ocean, requiring original or appropriate policies. Instead the psychology, goals and methods devised for large land masses or large ex-colonies were merely extended uncritically to the South Pacific. Old Africa hands applied African models to the Solomons and Kiribati.

By the 1960s aid had been thoroughly accepted and institutionalised, so that one could talk of an aid industry, an aid bureaucracy operating in the South Pacific with conventionalised procedures, an autonomous existence and a powerful momentum of its own. Its assumptions and approaches soon became entrenched, creating a great new orthodoxy. New Zealand too runs the risk of institutionalising its aid, so that its approaches become entrenched and conventional and the advantages of flexibility and fresh thinking are lost.

#### 16.2 The Objectives of Policy

Three main actors are involved in the South Pacific in the region covered by this study: the New Zealand Government (with its constituent departments, public opinion, and taxpayers), the recipient governments, and the aid industry and international organisations. Each of these has vested interests and their access to resources determines the degree of leverage that can be exerted. With respect to New Zealand, the dominant concerns would appear to be historical obligations, order and stability in the South Pacific and the maintenance of friendly relations with New Zealand (see Chapter 1 and section 16.3 below). If these conditions prevail, strategic considerations are taken care of, and New Zealand's responsibilities in the Pacific under the Western alliance in a wider sense are met. However, the best way of ensuring that stability and security are achieved is to support living standards in the islands. Even although many funds committed to the region as “development” or “capital aid” may not achieve that effect and may meet other purposes (especially for the Cook Islands, Niue and Tokelau)

the injection of these funds is important (indeed vital) for maintaining stability and friendly relations. If they were to fall much below their current level, at least in the Cook Islands and Niue, there would be a great increase in the level of out-migration. Living standards would fall, instability would probably ensue and relations with New Zealand would probably be severely strained.

The primary objective of New Zealand's foreign policy as a whole is to promote trade and New Zealand exports and this consideration with successive governments has taken precedence over issues of aid. For the South Pacific as a whole a good deal of success has been achieved for this primary concern, for New Zealand exports to the new island states of the region have grown rapidly in the 1970s and in 1983 comprised about 4 percent of New Zealand's total exports<sup>2</sup>. This rapid export growth is part of a broader fundamental policy shift in New Zealand's trade and external relations generally. We have now moved drastically away from the situation of 1948 when the United Kingdom and other European markets took 85 percent of our total exports. In 1980 they bought only 26 percent of our goods and countries within the Pacific Basin as a whole received over 60 percent<sup>3</sup>. Furthermore since the late 1960s countries outside the OECD group have increased their share of New Zealand's exports from just over 10 percent to nearly 33 percent. While the bulk of our trade is still to countries who in the main are part of the "rich, white club" of nations there has been a rapid growth in the proportion going to newly industrialising countries and poor countries, especially in the Pacific Basin as a whole. These fundamental shifts in trade patterns and concern over overseas markets have been emphasised by our growing foreign exchange crisis and the concern of political leaders for a new "Bretton Woods" conference and for worldwide action to deal with the debt crisis. New Zealand policies to the South Pacific could not remain unaffected by these broader issues and concerns. Thus the further expansion of New Zealand exports in the South Pacific countries will involve further penetration of these markets by New Zealand businesses. This is indeed consistent with a possible policy of integration, economically and politically. If the policy is to promote autonomous development of separate independent island states - even if this were realistic - serious (rather than token) efforts would have to be made to trade off the effects of New Zealand's expansionary export policies with aid policies designed to enhance local autonomy and self-reliance.

At the moment little effort appears to be made to reconcile the fundamental different effects of New Zealand policies or to work out detailed "trade offs" between them. The Ministry of Foreign Affairs of course is used to "wearing several hats" and adroit in promoting or at least giving lip service to policies which in essence are quite incompatible and to papering over the chasm that divides them. The rhetoric on aid tends to lead many people and worthy voluntary groups in the community to believe that our official development assistance is promoting autonomous development in the South Pacific. While that aid meets other worthy needs, the effect of our primary policies - on exporting - and more importantly the trend in the macro-economy of the aid- and remittance-led South Pacific region as a whole - is increasingly to weaken that autonomy and to integrate them ever more closely into the mainland economies. (Thus the rapid expansion of Papua New Guinea imports of cheap New Zealand fish in recent years has benefited New Zealand exporters, but undermined a potentially valuable local import-substituting industry in Papua New Guinea, utilising the rich local fish resources<sup>4</sup>).

Clear perceptions are needed of New Zealand's different policies, and of their differential effects in each separate island economy. If any aid policy is currently geared to enhance autonomous development (which really is achievable in Papua New Guinea, perhaps the Solomons, Fiji and possibly some other economies) it needs to be seriously considered whether this is still realistic. If so, trade-offs or reconciliations need to be worked out wherever practicable, and island governments need to be fully informed of the contradictory effects of our policies. It is not sufficient to assert merely that

we are providing \$12 million in total aid to the Cook Islands: New Zealand firms are receiving in exports about \$17.8 million per year (and importing \$5.5 million). Such a step, of removing pretence from the whole business of aid, would be to accord the other important actors in the South Pacific - the island governments - their proper role in the region.

### 16.3 The Size and Distribution of New Zealand Aid

In 1983-84, New Zealand's total bilateral aid totalled \$58 million. In addition, multilateral aid, which is normally 24-30 percent of our total aid totalled \$11.4 million. However, as many commentators have noted, New Zealand's performance as an aid donor is rather modest for an affluent nation. Aid has always been well below the target of 0.7 percent of GNP endorsed in 1970 and recently it has fallen to only 0.28 in 1982. This fall parallels the decline in the rate of growth of the New Zealand economy in the recession of the last decade and the loss of the comparative economic advantage that the country formerly enjoyed. There is fortunately a great fund of sympathy in New Zealand for doing a great deal more for some of the chronically poor or starving countries of this world. Aid in this area, to be effective, depends on the communication system, and the actual delivery system for aid must really be accessible to those in need (see section 16.18).

In Table 16.1 New Zealand's bilateral aid expenditure is shown for the period 1975-76 to 1982-83. The period marks of course the end of New Zealand's involvement militarily in Vietnam and the considerable importance of Southeast, East and South Asia in our foreign policy in the 1960s and early 1970s, and the growing relative importance since then of the South Pacific. Thus in 1975-76, 40 percent of our bilateral aid was spent in South and Southeast Asia and about 56 percent in the South Pacific. Since then the proportion spent in our own neighbourhood has steadily grown, as the aid total in real terms has not expanded, reaching about 75 percent (including emergency and disaster relief) in 1980-81, and nearly 77 percent in 1982-83. Accordingly the proportion spent in South and Southeast Asia has declined to only 21 percent in 1982-83.

The pattern of aid spending then reinforces the view that New Zealand, as a Pacific power, is vitally concerned with economic and social conditions, with its obligations, and with stability, in the small nations of the South Pacific. Nor does the widely held view, that aid is a response to poverty and deprivation in the undeveloped nations of the Third World, receive much support from the data presented in the table. Throughout the last decade only about 2.5 percent of New Zealand's bilateral aid has gone to such poor countries of the Third World outside the South and Southeast Asia<sup>5</sup> and South Pacific regions (mostly to two countries in East Africa and to Peru in Latin America). And virtually all the countries of the South Pacific receiving collectively three quarters of New Zealand aid are characterised by subsistence affluence and by GNP per capita figures which place them in many cases<sup>6</sup>, above the usual category of poor nations of the world. In stating this, however, one does not imply that these countries do not need, indeed do not require "aid". They do indeed need financial subsidies or support to maintain existing living standards and to preserve stability, rather than to "overcome poverty" or "backwardness". The existence of the Emergency and Distress Relief Fund, though small, recognises the need for New Zealand to assist countries (usually in the South Pacific or Asia) which periodically suffer disasters caused by natural hazards.

TABLE 16.1  
NEW ZEALAND'S BILATERAL AID EXPENDITURE 1975-1976 TO 1982-1983  
(\$ 000)

|                                                           | 1975-76 |                | 1976-77 |                | 1977-78 |                | 1978-79 |                | 1979-80 |                | 1980-81 |                | 1981-82 |                | 1982-83 |                |
|-----------------------------------------------------------|---------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|----------------|
|                                                           | \$000   | % of total aid | \$000   | % of total aid | \$000   | % of total aid | \$000   | % of total aid | \$000   | % of total aid | \$000   | % of total aid | \$000   | % of total aid | \$000   | % of total aid |
| Regional Programmes                                       |         |                |         |                |         |                |         |                |         |                |         |                |         |                |         |                |
| (i) South Pacific                                         |         |                |         |                |         |                |         |                |         |                |         |                |         |                |         |                |
| Cook Islands                                              | 62,081  | 18.1           | 5,900   | 15.9           | 6,168   | 15.8           | 5,919   | 14.3           | 6,732   | 15.7           | 9,050   | 20.2           | 8,362   | 17.3           | 9,880   | 17.9           |
| Fiji                                                      | 3,135   | 9.1            | 3,570   | 9.6            | 3,727   | 9.6            | 3,498   | 8.4            | 4,097   | 9.6            | 4,256   | 9.5            | 4,047   | 8.4            | 3,963   | 7.2            |
| Gilbert Is <sup>2</sup>                                   | 71      | 0.2            | 101     | 0.3            | 300     | 0.8            | 165     | 0.4            | 268     | 0.6            | 284     | 0.6            | 256     | 0.5            | 541     | 0.9            |
| New Hebrides                                              | 178     | 0.5            | 329     | 0.9            | 114     | 0.3            | 64      | 0.1            | 124     | 0.3            | 397     | 0.9            | 703     | 1.4            | 1,045   | 1.9            |
| Niue                                                      | 2,535   | 7.4            | 2,974   | 8              | 2,867   | 7.4            | 4,119   | 9.9            | 3,127   | 7.3            | 3,310   | 7.4            | 4,887   | 10.1           | 5,906   | 10.7           |
| PNG                                                       | 1,110   | 3.2            | 1,732   | 4.7            | 2,196   | 5.6            | 2,571   | 6.2            | 2,667   | 6.2            | 2,955   | 6.6            | 2,436   | 5              | 2,696   | 4.9            |
| Solomons                                                  | 149     | 0.4            | 372     | 1              | 323     | 0.8            | 497     | 1.2            | 712     | 1.7            | 681     | 1.5            | 681     | 1.4            | 892     | 1.6            |
| Tokelau                                                   | 660     | 1.9            | 801     | 2.2            | 900     | 2.3            | 1,300   | 3.1            | 1,431   | 3.3            | 1,644   | 3.7            | 1,917   | 3.9            | 2,162   | 3.9            |
| Tonga                                                     | 830     | 2.4            | 1,721   | 4.6            | 1,916   | 4.9            | 2,452   | 5.9            | 2,792   | 6.5            | 2,707   | 6              | 2,689   | 5.6            | 3,593   | 6.5            |
| Tuvalu <sup>3</sup>                                       | 26      | 0.06           | 45      | 0.1            | 180     | 0.4            | 194     | 0.4            | 361     | 0.7            | 545     | 1              |         |                |         |                |
| W. Samoa                                                  | 2,159   | 6.3            | 2,689   | 7.3            | 3,566   | 9.2            | 3,419   | 8.2            | 4,158   | 9.7            | 4,286   | 9.6            | 4,501   | 9.3            | 4,872   | 8.8            |
| Regional                                                  | 2,105   | 6.1            | 2,141   | 5.8            | 3,153   | 8.1            | 4,285   | 10.3           | 3,786   | 8.8            | 3,752   | 8.4            | 3,766   | 7.8            | 6,255   | 11.4           |
| (ii) S. & SE Asia                                         | 19,139  | 55.6           | 22,330  | 60.3           | 25,256  | 64.9           | 28,334  | 68.4           | 30,074  | 70.3           | 33,516  | 74.8           | 34,606  | 71.6           | 42,350  | 76.7           |
| (iii) Africa                                              | 13,861  | 40.3           | 13,548  | 36.6           | 10,856  | 27.9           | 10,729  | 25.9           | 10,293  | 24.1           | 9,160   | 20.5           | 12,276  | 25.4           | 11,441  | 20.8           |
| (iv) Latin America                                        | 595     | 1.7            | 458     | 1.2            | 463     | 1.2            | 598     | 1.4            | 1,094   | 2.5            | 1,271   | 2.8            | 390     | 0.8            | 30      | 0.05           |
| (v) Caribbean                                             | 406     | 1.2            | 401     | 1.1            | 363     | 0.9            | 385     | 0.9            | 331     | 0.8            | 404     | 0.9            | 374     | 0.8            | 180     | 0.3            |
| (vi) Other                                                | 54      | 0.16           | 104     | 0.3            | 145     | 0.4            | 215     | 0.5            | 125     | 0.3            | 110     | 0.2            |         |                |         |                |
|                                                           | 8       | 0.02           | 82      | 0.2            | 34      | 0.08           | 21      | 0              | 15      | 0.01           |         |                |         |                |         |                |
| TOTAL                                                     | 34,063  |                | 36,923  |                | 37,117  |                | 40,282  |                | 41,932  |                | 44,461  |                | 47,670  |                | 54,001  |                |
| Emergency &<br>Distress Relief<br>Reserve<br>ProjectsFund | 309     | 0.9            | 79      | 0.2            | 117     | 0.3            | 145     | 0.3            | 136     | 0.3            | 231     | 0.5            | 670     | 1.4            | 1,046   | 1.9            |
|                                                           |         |                |         |                | 1,694   | 4.3            | 1,010   | 2.4            | 709     | 1.6            |         |                |         |                |         |                |
| TOTAL                                                     | 34,374  |                | 37,002  |                | 38,928  |                | 41,437  |                | 42,777  |                | 44,692  |                | 48,340  |                | 55,047  |                |

Source: Estimates of Expenditure of the Government of New Zealand, AJHR, B7 Pt. 1 E.

- 1 Includes 758,986 spent from C.I. Trust Account Funds.
- 2 Includes Tuvalu until 1977-78.
- 3 Included in Gilbert Islands as Gilbert and Ellice Islands until 1977-78.

| NZ Budgetary Support Data \$000 |       |       |         |        |
|---------------------------------|-------|-------|---------|--------|
| March Year                      | Cooks | Niue  | Tokelau | Total  |
| 1977                            | 3,700 | 2,696 | 752     | 7,148  |
| 1978                            | 3,350 | 2,764 | 900     | 7,014  |
| 1979                            | 3,450 | 3,582 | 1,300   | 8,332  |
| 1980                            | 3,400 | 2,462 | 1,350   | 7,212  |
| 1981                            | 5,700 | 3,181 | 1,605   | 10,486 |
| 1982                            | 5,840 | 3,870 | 1,822   | 11,532 |
| 1983                            | 7,060 | 3,550 | 2,100   | 12,710 |
| 1984                            | 8,376 | 3,720 | 2,431   | 14,527 |

Within the list of South Pacific countries in Table 16.1 that receive such a high proportion of New Zealand's total aid, several countries are especially favoured. Of these, three of the five countries studied in this report receive relatively large amounts: thus the Cook Islands in the last 8 years has averaged 16.9 percent of New Zealand's total aid and in 1982-83 was almost 18 percent; Niue has averaged 8.5 percent of the total, reaching 10.7 percent in 1982-83, and Tokelau has taken an average of 3 percent, reaching 3.9 percent in 1982-83. The three countries together received a total of nearly 43 percent of all New Zealand's bilateral aid. Moreover in the last few years as the squeeze on the aid budget has become tighter, these countries to which New Zealand feels she has special obligations and who share New Zealand citizenship, have received relatively more funds, and other countries proportionately less: in 1983-84 the three countries were allocated almost 41 percent of all aid.

Furthermore, apart from the Regional vote, the other larger recipients of New Zealand aid in the South Pacific (Western Samoa, averaging 8.5 percent, Tonga 5.3 percent and Fiji 8.9 percent) are countries which have long had special associations with New Zealand (e.g. New Zealand was the trustee power to Western Samoa) and/or are located in the central South Pacific near New Zealand (e.g. Tonga).

The table reveals that large countries in the region that are relatively “undeveloped” such as Papua New Guinea or some countries with distinctive and acute problems (such as Tuvalu, for example with transport, see Chapter 10) receive small volumes of aid from New Zealand. This is explained not by need but by historical factors and the sphere of influence that Australia and Britain have in the region. Such so-called anomalies indicate countries where Australia is the major donor and New Zealand accordingly is only a minor donor. In the case of Kiribati, Britain has been the principal donor, with New Zealand a distant third, behind Australia. However this may change after 1986, when Britain might withdraw. The table also shows that over the years there are only small changes in the volumes and proportions of total aid received by each country. Theoretically, if aid was designed to fulfil the function it is popularly supposed to perform, countries that performed especially well, development wise, overcoming their respective hurdles, could expect to receive thereafter a substantial diminution of aid, as they became more self reliant. Yet the relatively equal apportionment of aid year by year suggests that this is not the real concern (theoretically, it might be argued they were all performing equally well, or equally poorly). Clearly the most appropriate interpretation of the table is that New Zealand distributes its largesse among the countries of the South Pacific according to its own perceived vital interests in the region, its obligations and responsibilities in historical and political terms. And this pattern of distribution has a great deal to do with the security of the South Pacific and the sharing between Australia and New Zealand (Anzus partners with the United States) of spheres of influence within the South Pacific region to ensure that security and stability within the whole Western alliance is maintained.

#### 16.4 The Role of Aid in Island Economies

It is important to gauge the role of aid in the island economies. Indeed many studies including the important SPAS (1980) study of agriculture and rural development have failed to recognise that the island states are basically aid- and remittance-led economies; accordingly since the basic diagnosis was wrong, the role of agriculture in the economy was mis-judged and the consequent policy recommendations are likely at best to be only partially correct and appropriate.

TABLE 16.2

Official Development Assistance (ODA) to the Pacific, 1977-1979  
(in A\$'000)

| Country                           | 1977<br>total | 1978<br>total | 1979<br>total | Bilatera<br>l | Total<br>per<br>capita<br>(A\$) |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------------------------|
| A. Samoa                          | 40,520        | 27,913        | 27,913        | 27,913        | 903                             |
| Cook Islands                      | 6,780         | 5,900         | 6,700         | 6,500         | 362                             |
| Fiji                              | 19,070        | 22,500        | 27,900        | 23,100        | 45                              |
| Fr. Polynesia                     | 72,690        | 78,800        | 128,500       | 128,500       | 889                             |
| Guam                              | 13,132        | 85,739        | 85,739        | 85,729        | 857                             |
| Kiribati                          | 4,410         | 9,300         | 8,000         | 7,900         | 140                             |
| Nauru                             | 0             | 0             | 0             | 0             | 0                               |
| New Caledonia                     | 66,630        | 100,100       | 132,700       | 132,200       | 955                             |
| New Hebrides <sup>1</sup>         | 11,350        | 16,300        | 34,000        | 33,700        | 297                             |
| Niue                              | 2,970         | 3,700         | 4,400         | 4,300         | 1,222                           |
| Papua New Guinea                  | 222,950       | 260,000       | 253,400       | 240,500       | 82                              |
| Solomon Islands                   | 14,540        | 23,200        | 23,200        | 20,600        | 105                             |
| Tokelau                           | 990           | 800           | 1,600         | 1,600         | 1,000                           |
| Tonga                             | 5,070         | 8,400         | 21,000        | 18,200        | 219                             |
| TTPI                              | 79,700        | 115,304       | 99,700        | 99,200        | 752                             |
| Tuvalu                            | 2,080         | 2,200         | 4,000         | 3,700         | 541                             |
| Wallia & Futuna                   | 3,230         | 2,200         | 6,900         | 6,900         | 676                             |
| Western Samoa                     | 16,670        | 17,300        | 27,000        | 18,500        | 174                             |
| Regional<br>Institutions/Projects | ..            | 8,725         | 12,373        | 12,300        | 3                               |
| South Pacific Region              | 582,782       | 788,431       | 897,279       | 867,669       | 187                             |

1      now Vanuatu

Source: SPC, Statistical Summary 1979.



In Table 16.2 we present data on official development assistance in the Pacific in the period 1977-79<sup>7</sup>, since recent comparative data are not available. At that date the average sum of official development assistance per head for the countries shown was A\$187. Fiji, with only A\$45 per head of its population was at that stage clearly the least externally assisted of the Pacific countries. Assistance to Papua New Guinea (mostly from Australia) amounted to A\$82 per head. A group of countries (the Solomon Islands, Kiribati, Western Samoa and Tonga) were receiving roughly between A\$100 and \$200 per person, and two others (Cook Islands and Vanuatu or New Hebrides) were in the A\$300 to A\$400 range. Above this lie a number of countries which receive over A\$500 to A\$1000 or more per person. In this category lie some of the smallest and most remote island groups and also significantly those territories which consciously are more integrated with large metropolitan countries (the United States and French Pacific territories) rather than being politically independent. The two with the highest per capita aid figures are Niue and Tokelau, whose inhabitants are New Zealand citizens.

Government expenditure and external assistance in the Pacific is presented for 1979 in Table 16.3. Column 5 shows the ratio of official development assistance (ODA) to government expenditure (GE). Again, Fiji stands out as the most nearly self-supporting of the Pacific economies, with aid from all sources contributing about 11 percent of government expenditure. A significant number in 1979 had aid equivalent to 40-70 percent of government expenditure (Cook Islands, Papua New Guinea, New Caledonia, Guam, Kiribati, Nauru, Tonga, Solomon Islands, American Samoa). The remaining group (Wallis and Futuna, Trust Territories of Pacific Islands, Niue, Tokelau and Tuvalu) received very high sums of development assistance relative to government expenditure, a recognition of their extreme vulnerability. It is interesting to note that this latter group includes one “independent” country, Tuvalu. Such data suggests the hollowness of the independent status.

The table does not include remittance data, which, while unknown for most of the countries shown, is likely to be high. Moreover it is likely that the proportion of official aid to government expenditure has grown in most of these countries since 1979. Even a large country like Papua New Guinea which possesses many resources has a high ODA/GE ratio. Thus, it can be asserted, of all 18 Pacific countries listed, only Fiji appears to escape from the mirab economy characteristics.

## 16.5 The Scale of Aid

In very small island states the scale of aid reaches a new dimension, dwarfing other sources of income. The relevant data on a per person basis are set out in Table 16.3. In early 1983 Kiribati was receiving about A\$5.9 million in total aid or A\$99 per capita, the Cook Islands approximately \$13 million or \$726 per capita, Tuvalu about A\$8 million or A\$1000 per capita. Niue was significantly more aid led, at around \$2000 in round terms per person and the tiny Tokelau atolls received about \$1800 per person. Small wonder that Tokelauans are beginning to take less interest in cutting copra, and the Tokelau Public Service is not greatly concerned with the relatively poor performance of the New Zealand Post Office in philatelic sales. As Professor Tony Hooper has remarked, if New Zealand were to find a rich donor, the figure on the same scale for New Zealand's population would total \$5.4 billion! “There is in consequence no idea in Tokelauans' minds of development and no need for there to be; the situation for them is too good to be true in many ways<sup>8</sup>”. In the light of this situation the action of the Fono in supplementing copra producers' earnings from the Community Services Levy on public servants' salaries, is to be commended.

TABLE 16.3

Government Expenditure and External Assistance in the Pacific

| Country          | Population<br>(mid-<br>1979) | Govt<br>expenditur<br>e | Year  | ODA (\$<br>per<br>person) | ODA/GE<br>ratio |
|------------------|------------------------------|-------------------------|-------|---------------------------|-----------------|
| American Samoa   | 31,400                       | 1,373                   | 1978  | 903                       | 0.66            |
| Cook Islands     | 18,500                       | 803                     | 79/80 | 362                       | 0.45            |
| Fiji             | 619,000                      | 427                     | 1979  | 45                        | 0.11            |
| Fr.Polynesia     | 144,600                      | 2,777                   | 1979  | 889                       | 0.323           |
| Guam             | 100,000                      | 1,759                   | 78/79 | 857                       | 0.49            |
| Kiribati         | 57,300                       | 241                     | 1979  | 140                       | 0.58            |
| Nauru            | 7,300                        | 241                     | 1979  | 140                       | 0.58            |
| NewCaledonia     | 139,000                      | 1,877                   | 1979  | 955                       | 0.51            |
| Niue             | 3,600                        | 913                     | 78/79 | 10,001                    | 1.1             |
| Papua New Guinea | 2,944,000                    | 180                     | 1978  | 871                       | 0.48            |
| Solomon Islands  | 217,700                      | 178                     | 1979  | 105                       | 0.59            |
| Tokelau          | 1,600                        | 885                     | 79/80 | 1,000                     | 1.13            |
| Tonga            | 95,800                       | 170                     | 1978  | 881                       | 0.52            |
| TTPI             | 132,500                      | 662                     | 1977  | 6012                      | 0.91            |
| Tuvalu           | 7,400                        | 253                     | 1979  | 541                       | 2.14            |
| Vanuatu          | 114,500                      | 445                     | 1978  | 297                       | 0.67            |
| Wallis & Futuna  | 10,200                       | 847                     | 1979  | 676                       | 0.8             |
| Western Samoa    | 155,000                      | 288                     | 1978  | 111                       | 0.38            |

1 1978

2 1977

3 Data from Table 13 suggest aid per person of A\$1,439 and an ODA/GE ratio of 0.52.

Sources: SPC, Statistical Summary 1979, Tables 3 and 12.

## 16.6 The Power of Aid

We will now consider the third main actor on the South Pacific stage in the aid drama - international organisations. The massive nature of international aid programmes, the large sums of capital involved and the sophisticated, elite status of the foreign experts involved ensured the aid machine of great power<sup>9</sup> and influence in the South Pacific countries. The frequent offer of free trips to overseas conferences and other perks, enables aid agencies to maintain their influence. We refer here, of course, to some of the larger, international aid agencies and not to New Zealand aid. It is to the credit of New Zealand that it has carefully avoided the elitist approaches, the excesses, and the ethnocentric preconceived assumptions of some of the international agencies. While the latter have done some valuable work, especially in training and curriculum development (by UNDP), and in various technical areas, perhaps their worst defect is their failure to adapt to local conditions, to humbly “learn the country” they happen to be operating in, and to understand the influence of the macro economy.

## 16.7 Danger of Ethnocentrism, Pre Conceived Opinions and Insensitivity

We have already noted the unwarranted interference of a large international organisation in the Kiribati family planning campaign which had to that point been successful; the recommended innovations of the international organisation were not appropriate to local conditions, contributing to failure (Section 9.19). Another illustration confirms the point. A New Zealand advisor in 1982 commented to the Ministry of Foreign Affairs that:

“Much of the input of aid from ..... (a major donor) has in my opinion been counter productive for Niue agricultural development. This has been partly due to the attitude of the aid personnel involved and partly due to scarce Niue technical personnel resources available”.<sup>10</sup>

The adviser goes on:

“There appears to have been a display of arrogance from these aid workers towards local Niue experience and knowledge. In turn the Niue officers have not communicated local knowledge essential for progress in agricultural research and development. The result has been constant misunderstanding and a waste of time. These matters would cause considerable concern even if the Niue Department of Agriculture and Fisheries had staff numbers sufficient to meet their commitments, but with the constant drain of experienced staff from their organisation and that of the Niue Development Board this experience is critical.”

“Mr Smith”<sup>11</sup>, the ... representative from (overseas) has a genuine interest in Niue. Unfortunately his approach to solving the Niue agriculture production problem would be to run the whole island as a business venture with expatriate management, using Niue people in lower supervisory roles and as labour. Mr Smith's current thinking is

to once again involve more ... personnel in each aspect of Niue agricultural research and development.”

Such examples serve as a salutary warning to New Zealand's External Aid Division. And although New Zealand's aid is small compared to the large donors, it too dominates in three of the five states being studied. We must be wary of the power we possess, and its potential threat (for latent power is also a threat) even if it is not exercised.

In contrast, the practical, down to earth approach of EAD, the relatively good standard of aid administration, the sincerity and high work input of many EAD staff are all positive features and the very fact that New Zealand is handling relatively small sums of money makes it more likely that less waste will occur. And New Zealand has “learnt the South Pacific” to a much greater degree than international agencies though the Team believes there is room for considerable improvement, especially in analysing island economies and the functioning of island bureaucracies.

#### 16.8 Overseas Aid in Kiribati and Tuvalu

The following are some of the conclusions of the Victoria University of Wellington Rural Socio-Economic Survey of the Gilbert Islands and Tuvalu, in which one of the present team participated<sup>12</sup>. In revisiting Kiribati and Tuvalu in 1984 we believe the following conclusions are still very largely valid.

- (a) Throughout the South Pacific overseas aid has achieved very limited success in the last 20 to 30 years in overcoming basic problems. The reasons are many, including socio cultural obstacles and a lack of political will, but much overseas aid is wrongly conceived and is inappropriate.
- (b) Visits of overseas experts are often very short, even though complex problems might be involved. Rarely do they learn the country, which involves trying to learn the language, understand the local society, institutions and environment and relate effectively to its people.
- (c) Most of the largest development schemes in the Gilberts in recent years were at least partially unsound in conception, organisation and management, manifesting many of the usual ethnocentric and technocratic faults of foreign aid.

Thus they were based on preconceived assumptions about local conditions and how the local people would respond rather than being based on knowledge of actual conditions and involving the people in planning the scheme.

- (d) We challenge the implicit assumption of the western or “dualist” model of development that the modern sector can expand to absorb virtually the entire population and that this can be done in a fairly short period of time. Unless the sea yields mineral riches or makes a large-scale fishing industry possible, there will be no real basis for a vigorous modern sector on Tarawa. Funafuti too lacks an economic basis for any genuine modern sector.
- (e) Most overseas advisers promote, either consciously or unconsciously, some version of the western model of development. Yet this approach is unrealistic for it demands a process of jumping rather than a process of stretching. They are also promoting economic dualism with all

its faults and imposing foreign models, philosophies or policies uncritically on to a unique culture and environment.

- (f) We recommend that technical aid should be based on an attempt to learn the country, relate to its people, and adopt an inductive rather than deductive approach. It should be flexible and empirical, be adjusted to the small scale involved, and attempt to fit the actual conditions of village living. A number of examples are given of desirable innovations in intermediate technology (see Geddes et al., 1982 : 151).
- (g) The Aid Review Task Force in its excellent report More Effective Aid in 1976 found that the interests of the more powerful donor country are likely to predominate over those of the recipient country. They found that there was a tendency for aid to worsen major defects instead of remedying them.
- (h) There is a constant danger that bureaucracy will stifle healthy enterprise through regulation, red tape, delays and impersonal negative attitudes. Major changes are needed in the role and function of the bureaucracy as it changes from its protective policing role of the colonial era to one appropriate to the delivery of basic services.
- (i) In the era of independence, if self-reliance is to be strengthened at all and a sensible indigenous model of development appropriate to local conditions is to be followed the quality of leadership becomes crucial. Both Tuvalu and the Gilberts are fortunate in having honest leaders dedicated to serving the public interest. There is a great need for these leaders to conduct independently their own patient analysis, to remain sceptical of overseas solutions and not to be frightened of making bold, original (though not reckless) decisions. Austerity and moderation in life-style are also needed and restraint in public spending. Considerable political skill will undoubtedly be needed to dampen down local expectations and aspirations that are no longer realistic.
- (j) A policy of aiming for greater self reliance could involve weakening the trend towards the dual economy by making urban living more expensive and less attractive. This would involve heavier import duties or taxes on imported foods, elimination of subsidies in the town and less spending on urban infrastructure.

In 1984 the only comment we would make on these recommendations made in the 1970s is that the characteristics and consequences of the mirab economy are now more apparent. In the light of this, paragraphs (i) and (j) above calling for austerity and self-denial are rather harsh, as self reliance above the level of subsistence seems to be unattainable. It will be cruel indeed if overseas aid after 1986 greatly declines.

## 16.9 Aid and Mythology

New Zealand has unfortunately taken on board some of the illusions and ideas of development mythology - the myths of progress and “modernisation”. Policy has been infected by modernisation theory that sees island states developing progressively, economically, socially and especially politically, towards greater political maturity and responsibility. Thus, self-government was thought by some to be perhaps a preliminary stage during which a young island country learnt “to stand on its own feet” and with greater experience the country might later be ready for independence. Yet it can be

strongly argued we believe, that the Cook Islands has made little progress in this political sense in the 19 years since self government began. Since much of our aid has been closely associated with the process of decolonisation, it is hardly surprising that it is also strongly imbued with concepts of modernisation. It was assumed from the Belshaw-Stace Report on and by constitutional advisors that progress would occur in equivalent fashion, economically, socially and politically. In reality political modernisation does not occur in a way that produces a replica of a western democracy, and politics are managed increasingly by a small political elite. New Zealand aid, in its own small way, has become very much institutionalised to fill the widening balance of payments deficit for the Cook Islands and Niue, even although we profess to pursue the goal of autonomous development for the islands.

We are either deluding ourselves through failing to understand the real political economy of the South Pacific and the function of “aid” in a mirab economy, which is to maintain existing structures, or if we do understand it, we are playing an elaborate charade for political purposes to ensure that the standard of welfare in the islands is maintained at a high level. The latter course of action, if such a political charade has to be played, is well worth pursuing. An understanding of the political economy of the small island countries leads to a realisation of the poor prospects for autonomous development - since free entry to the New Zealand labour market is more attractive than difficult low paid local effort, and the New Zealand taxpayer always makes up the budget deficit and at the same time provides the rationale for income transfers to maintain the standard of welfare. Seen in this light aid has little to do with development or the so called development process, but has everything to do with maintaining welfare and propping up services in the islands.

#### 16.10 The Fate of Conventional Aid Policies

Can the transfer of capital, skill and technology to South Pacific societies, whether by international agencies or by N.Z.E.A.D., enable them to achieve self sustaining growth? Some of the Schumacherian conditions of the Third World seem to apply. European societies, when Marshall Aid was disbursed after World War II, can be likened to an iceberg. Much of the top, projecting above sea level had been shattered by the war, but beneath the surface all the underlying sub structures needed for economic growth - organisation, motivation, discipline, education and skill - were still intact<sup>13</sup>. With a massive injection of capital, economic recovery was rapid. In the South Pacific, as in much of the Third World, of course, the iceberg analogy does not fit, for these essential prerequisites were largely absent, and indeed the underlying sub-structures of the South Pacific (the village mode of production, descent group structure etc.) are still partly intact and should not be destroyed.

We need an aid philosophy that is appropriate to the place and to the time (or stage of development) that these societies have reached. We are dealing with post-tribal societies in which urbanisation is very recent (since cities did not exist before the arrival of Europeans), in which industry was non-existent societies which had not been adapted to, or shaped for decades or centuries by mercantile, industrial and modern corporate capitalism, the influences of international trade, the rise of great cities and all the institutions and organisations, economic, social and political, associated with them.

Two other qualities have also been very important in shaping the development process - the extreme mobility of islanders, and their considerable proletarianisation by European enterprises since the 19th century. Given the problems of smallness and remoteness from market, autonomous development would have been extremely difficult to achieve in any case and few opportunities existed for large scale capitalist development. As the major economic roles were monopolised by European trading firms and

a handful of expatriate, part-European or part-Chinese entrepreneurs, few avenues for advancement appeared to exist in the islands and the more ambitious migrated in search of regular, dependable pay packets - for what the Tahitians call “fast money” of regular wage employment instead of the “slow money” received in delayed payments by rural cash croppers<sup>14</sup>. It can be argued that New Zealand's educational policies since the War have not succeeded in fitting people into their island environments but encouraged academic schooling and collar and tie occupations of a New Zealand type. In short, many decades ago the process was already well underway - rather than a process of autonomous development, it was essentially a process of ever greater integration into the developed world and closer association (for the Cooks, Niue and Tokelau) with New Zealand. The effects of the injections of large volumes of aid and remittances into this situation has been to greatly economically the integration process and to undermine autonomous growth. The evidence for this view is presented in Chapters 5, 6 and 7. If this view is correct, “the stage of development” is merely the degree to which integration into the New Zealand economy has occurred, and the appropriateness of policy is to be judged not according to criteria of self-reliance, but rather whether it aids integration, increases revenue or helps to maintain welfare. If the object of aid is to achieve self-sustaining economic growth, it has clearly failed.

#### 16.11 Aid In MIRAB Economies

We have already, in Chapter 5, set out the essential characteristics of mirab economies and noted the erroneous assumptions about the nature of the island economies upon which much of our aid policies in the past and currently have been based. It is quite misleading to confine economic analysis to the geographically-bounded island groups, because the “modern sector” of the economy and roughly half the population for the Cook Islands, Niue and Tokelau live on the mainland. Thus there is a major flow of remittances back to the islands and socially the two halves are organically linked. Moreover aid and remittance-led open economies of this type behave quite differently from relatively closed economies where standard economic development approaches designed at achieving “bootstraps” development are applicable. This is precisely what we mean when we suggest that properly thought out aid policies should take the “political economy” of the island states and of the South Pacific as a whole into account.

The uncritical and excessively political approach to aid taken by New Zealand is revealed in a statement of 1975 in which the Ministry of Foreign Affairs proposed “... the logic of building a programme of development cooperation with the Cooks in keeping with the ODA principles and philosophy as explained ...” (This is a philosophy of helping, mainly through the transfer of technology “at assisting other countries to assist themselves”):

“... The application to the Cook Islands of ODA principles and practices described above would mean, from the New Zealand standpoint, that the situation of the Cooks would be identical, in all respects to that of all other countries, in Asia, the Pacific, Africa and Latin America, with whom New Zealand has development assistance programmes in operation”.

Yet as this report documents in detail, the Cook Islands economy is fundamentally different in kind from that of the other countries in Asia, Africa, Latin America etc. Aid approaches that are appropriate for them are likely to be quite inappropriate for the Cook Islands. Indeed, to make the current

approaches of encouraging autonomous development work, it would be necessary to turn the Cook Islands into a closed economy: in effect to “build a Berlin Wall” around it by denying migration egress.

An extension of this principle to other countries of the Pacific involves essentially the consideration of the extent to which the mirab economy effect operates - i.e. to what extent in each case are they aid- and remittance-led economies rather than being based primarily on commodity export production. If aid is to perform a strategic economic function such an approach, adjusted to each country's particular political economy, is highly recommended. On the other hand, this study strongly supports the maintenance of “aid” as subsidies to maintain living standards and hence stability as argued in Chapter 5. Indeed a strong case appears to exist for both particularist aid policies to various countries where it is adjusted to their precise circumstances, and attempts to play a strategic economic role, and for “aid” as subsidies as required in the three New Zealand-linked states.

#### 16.12 Aid and the Public Service

An understanding of the political economy also requires considering the function of the local public service. New Zealand has in fact been providing substantial subsidies to the Cook Islands administration since the 1920s, and as the Team has already noted, the change of name of the subsidy to “aid” with self-government in 1965 has in no way changed its essential role of making up the deficits in local revenue. The administration of these aid moneys and the basic services of the country required the development of a local bureaucracy. The ideas of the New Zealand Labour Government on the role of the public service in development may have increased its size in the period

However, in the last years of the New Zealand administration (1959-64) the public service expanded greatly (see pp.97 and 171 above) reflecting perhaps New Zealand's desire to prepare the country for self government. After 1965, local perceptions of the public service have been dominant. Whatever role New Zealand might expect it to play, in islanders' eyes the bureaucracy was seen as a secure source of employment<sup>15</sup>, providing a relatively large, dependable income. And if the main purpose is to maximise the flow of aid, one can hardly expect financial control, frugality and efficiency.

Secondly, the very size (see Tables 5.3 and 7.5) and power of the public service (50 percent of all employment in the Cook Islands and 80 percent in Niue) means that it monopolises much of the economic activity, discouraging private enterprise. Moreover, the vested interests of the salariate ensure that it subverts the rise of successful private enterprise which might in the long run threaten jobs. Two examples can be cited: in the Cook Islands, the marketing of copra was carried out by a branch of Government employing 18 staff. When marketing was reorganised recently on a producer basis under the leadership of a local lawyer, a lower price (\$350 instead of \$400 per tonne) was paid to producers but production went up substantially because of on-the-spot rather than delayed payment. And the staff required for marketing was cut to only 1.5 people with the use of efficient methods. In Niue, some years ago, a private builder found that his quote for a job of \$85,000 was undercut by the Government Housing Department's bid of about \$83,000. The latter properly was awarded the contract, but then applied later for increased subventions from government to make a final cost of about \$150,000<sup>16</sup>. In such a situation the private entrepreneur can be excused for thinking that he can never win. It is a truism, of course, to point out that the public service of any country should be designed to suit the needs of that country. This is also true in the Cook Islands, Niue, Tokelau and the other small states - but in reality the public services have less to do with autonomous development and much more



to do with the provision of jobs, the maintenance of services and keeping the tap of aid flowing - after all, these are the real needs of the islands, and are fully understood by the islanders.

The situation is most dramatic in Niue. The size and range of public service appointments come under the surveillance of the Niue Public Service Commission, two of whose three members are New Zealand State Services Commissioners. The Niue Public Service could be cut drastically with little loss of performance (see Chapter 7), but no Niuean politician would support this. It appears that over \$4 million is paid in public service wages annually, leaving little money left for development projects. Under these circumstances, as Fisk<sup>17</sup> has pointed out, the determination of the volume and type of aid given to Niue can be quite critical:

“Making the (admittedly over-simple) assumption that aid can be divided into (1) infrastructure aid that does not affect internal cash incomes directly on the one hand, and (2) budget aid, which does, on the other, then one could suggest two propositions that should apply at least to a considerable extent:

- (a) Infrastructure aid can be allowed without limit,<sup>18</sup> provided the recurrent labour and other costs of maintenance are not thereby increased. Where such increases are involved, infrastructure aid can only be considered acceptable in the light of longer term projections of labour and finance needs for the Niue economy as a whole.
- (b) Budget aid provides the most direct means of determining both the level of government services to the community (including development services such as agricultural extension) and, even more important, the level of incomes and local employment. If budget aid is too low, emigration will accelerate and the depopulation of Niue will continue. If budget aid is too high, living standards and incomes on Niue will rise more than necessary to hold its people.”

Thus aid is crucial to maintaining the bureaucracy, which provides jobs and lessens potential out migration. Aid is therefore very much part of the political economy and part of the mirab society - the “a” in our term mirab society, with “b” standing for bureaucracy.

This then is the critical policy issue. While local public services appear bloated in size in New Zealand eyes (even allowing for the fact that they combine national government with local government functions) they must be adjudged in island terms. Given the power of the mirab economy with large volumes of aid flowing into these countries, large public services - the creatures of the aid process - are entirely understandable, and in the main, acceptable. There is however a powerful case for applying the New Zealand subsidy not to maintain public service jobs but to supplement producers' incomes.

### 16.13 The Strengths and Weaknesses of New Zealand Aid

In general, New Zealand has placed great reliance on the transfer of technology, and especially of systems and skills that have proved themselves under New Zealand's temperate climatic conditions. It is

primarily because of this reason that the Puno pasture project in the Altiplano of Peru, which is often said to have been the most successful of all New Zealand aid projects, achieved so much. In this temperate grassland physical environment, not unlike the McKenzie Country in some respects, it was possible to plant ryegrass, lucerne, turnips etc. and to build improved pastures and stock management systems for extensive sheep grazing. (It was however much less successful in imparting the skills both to Peruvian tecnicos, and to illiterate Aymara peasants where approaches quite different from conventional extension work were required).<sup>19</sup>

In the South Pacific however there has been repeated evidence over 30 years that the transfer of temperate, capitalist agricultural techniques into hot, wet tropical environments and into post-tribal societies where the village mode of production dominates is often unsuccessful. Indeed that is now often tacitly recognised by many aid administrators and was such a matter of concern that a confidential conference on N.Z. aid to the South Pacific was held in Wellington in 1978. New Zealand however can be much more successful in those areas of aid where the technology to be transferred is indeed highly relevant to Pacific conditions, such as forestry.

Although the tree species and growth rates are very different the same basic approaches apply and competent but adaptable New Zealand foresters are likely to make a major contribution to those Pacific countries where afforestation, forest milling, management and replanting are likely to be important<sup>20</sup>. Indeed New Zealand has already achieved substantial success in the forestry area in Savai'i, Western Samoa, and Western Viti Levu, Fiji. She could make an enormous contribution to the management and utilisation of the vast forests of tropical Papua New Guinea which currently are being exploited, if not ravaged, by some 14 multinational firms that act in ways largely beyond the Government's effective control. As Papua New Guinea is destined to become one of the greatest producers of tropical hardwoods in the world<sup>21</sup>, training of the local forest service to manage their own resource competently and prudently would be an enormously valuable aid role, if it were undertaken by the N.Z. Forest Service by means of New Zealand aid for the Papua New Guinea Government.

The illustration given emphasises the point that if we wish to give effective aid to Pacific countries, we should recognise which skills possessed by New Zealanders are relevant and appropriate and that the likely contribution of the various Government departments in New Zealand are likely to vary greatly. While many departments, private sector firms and especially individuals might be able to provide aid on specific technical issues from time to time they will not be able to make major contributions. A few departments on the other hand - such as the Forest Service and Education (see Chapter 15, which describes the major role New Zealand plays in the region in education) - are fitted by their skills and/or experience to make major long term contributions to development in at least some Pacific countries. At present this does not seem to be fully recognised. The Team believes as a conscious policy decision the potentially very important contribution of the Forest Service and the Department of Education should be fully recognised and that their role in aid programmes be increased. This would imply more resources and staff for their international divisions. While a good deal of valuable work is done in aid by other departments, it may be that relatively less emphasis and resources should be accorded to their roles.

#### 16.14 Effective Aid : Innovation Appropriate to Context

The Team argue that the design of effective aid projects and the actual delivery of desired innovations are often extraordinarily difficult to achieve on the ground. It is easy to approve some innovation, which on the face of things, appears to be appropriate to the situation. It is only however when the context into which the innovation will fit is fully appreciated that a clear judgement can be made as to whether the proposed innovation is worthwhile or not. An illustration can be given. In recent years New Zealand has aided several small projects of rat poisoning in Tuvalu and Kiribati. Rats frequently climb coconut palms and damage nuts. Undoubtedly poisoned bait can reduce the rat population on some islands if a programme is properly carried through, but the implication has been that rat damage is a major factor in low copra production on these islands. Such an implication is quite untrue for intensive fieldwork in the villages and correlation analyses of copra production against rainfall, population density and copra price has isolated the critical variables affecting production. The Victoria University of Wellington Rural Socio-Economic Survey found that many factors were involved<sup>22</sup>, but low production was not primarily due to low availability of nuts. Indeed the prime need is to increase the motivation of villagers to pick up the nuts that do fall from the palms. Thus price stabilisation policies in years of low copra price, improved marketing outlets and better transport on the atolls from coconut groves to villages and to shipping points (e.g. the provision of more bicycles and “hand carts” or bicycle trailers) are likely to be far more effective than rat poisoning programmes.

In short, innovations must be planned to suit the context, and to address the essential issue. E.F. Schumacher, author of Small is Beautiful used to make a pun on his name: “a good shoemaker not only knows a lot about different kinds of shoes, he knows a lot about the shape of feet”. The analogy is apt, for a good innovation, like a good shoe, will “fit”. The good aid administrator will know the detailed conditions and context of the particular country that an aid programme is designed to assist.

#### 16.15 Training

A major feature of New Zealand's official aid is of course its role in training, and this is probably the most valuable area of assistance of all, apart from the necessary provision of subsidies (classed as budgetary or development aid) to the three New Zealand-linked countries. In 1982 expenditure on training amounted to U.S.\$3.54 million or 5.4 percent of ODA. There are however problems in that the training is for New Zealand type conditions, usually making little allowance for the distinctive conditions and smallness of scale of the islands. Again there are major problems of adaptation of some islanders who come to New Zealand for training (see sections 15.10 and 15.13 on the Tokelau scholarship scheme).

#### 16.16 Aid as Conservation

The modern development process throughout much of the Third World often has as much to do with breaking-down as with “development” in any building up sense. Development truly is a two-edged sword<sup>23</sup>. Aid policy must concern itself with many social and ecological issues, with the preservation of meaningful social and cultural institutions, with the retention of neo-traditional culture. Thus New Zealand aid policy must also consider the isolated traditional people who are subsistence cultivators and who can only gain access to money or markets by labour migration. Such people, like the pagan Kwaio of Malaita in the Solomons, are in Western terms the poorest people in the entire region, yet in

their own terms they are the richest. We must be careful that such societies are not caught on the “treadmill of development” or thrust into modern situations where they cannot cope, and become like the unenviable Gailala of Port Moresby: outcasts of society with a reputation for violence and crime<sup>24</sup>. It is important to maintain for such societies the “traditional balances and harmonies with the environment, the continuities between generations, social bonds within the family and community, satisfaction with the fruit of one's work, and a measure of safety, predictability and stability in the course of human and natural events”<sup>25</sup>. In such cases only slow and carefully selective incorporation into the modern world is called for when they really wish it. Clearly planners must accept the need for a plurality of policies even within one country to accommodate the special situation of all societies in their various “ecological niches” in the overall change process. Aid is also involved with the quality of health, hygiene and medicine, water supplies, nutrition or “dietary colonialism” and many other areas. Thus the assistance that New Zealand could provide to Kiribati at the time of the cholera epidemic in 1977 and the work of a considerable number of New Zealand medical specialists is very valuable aid. The avoidance of inappropriate technology, such as discing, or the use of heavy machines on the fragile rocky soils of Niue is another example. Protection too is vital, as in denying entry to Mexican citrus which might introduce disease to the disease free limes of Niue.

Frequently, Europeans exaggerate the value of externally introduced innovations and tend to understate the disadvantages (or destructive effects) resulting from the innovations. A few years ago one of the Team members drew up the following balance sheet for the island of Abemama in Kiribati<sup>26</sup>:

| Positive advantages introduced by Europeans                          | Disadvantages resulting from Europeans                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 Air service, shipping                                              | 1 Decay of babai, traditional skills, failure to conserve resources                                                                                                                                                                                                                                              |
| 2 Hospitals and medical service resources                            | 2 Decline of the authority of the old men                                                                                                                                                                                                                                                                        |
| 3 Iron and steel, e.g. bush knives, fish hooks                       | 3 Nutritional deficiencies and danger of dietary deterioration                                                                                                                                                                                                                                                   |
| 4 Utensils, implements (e.g. mosquito nets), cloth, cooking utensils | 4 Colonial mentality and 'missionization' - an apathetic, dependent society                                                                                                                                                                                                                                      |
| 5 Some education                                                     | 5 Partly inappropriate education                                                                                                                                                                                                                                                                                 |
| 6 Roads, bicycles, motor cycles, trucks                              | 6 A partially inappropriate political structure                                                                                                                                                                                                                                                                  |
| 7 Peace and order                                                    | 7 Economic dualism and wage dualism represented in gross “over development”, over centralization, over urbanization of Tarawa and of modern services, coupled with neglect of the outer islands, the subsistence economy, the traditional social and political structure and small scale appropriate technology. |
| 8 Impartial system of justice                                        |                                                                                                                                                                                                                                                                                                                  |

Inevitably this reflects our own bias, although all the advantages were identified by local informants and most of the disadvantages; other disadvantages (e.g. 4, 5, 6 and 7) were characterised in their responses. But “development” only becomes meaningful when considered by the people themselves, in their own terms. Their wishes must take precedence.

#### 16.17 The Development Plan and the Development Process

How has development planning evolved in the South Pacific?<sup>27</sup> In the early days it was obviously necessary and useful to put together and coordinate, the different sets of estimates of government expenditure, public sector targets and import and export projections. Over time, plans have generally become lengthier and more complex. Samoa has now issued its Fifth Five Year Plan and Fiji its ninth. As countries have grown in population, the number of economics graduates has increased, Parkinson's Law has proliferated in most bureaucracies, the aid industry has vastly expanded, and the ideology of planning has spread, so the practice of planning has expanded: from one expatriate planner, other staff

have been added and finally a central planning office emerges. The “professionalisation” of the function ensues, implying that plans have become more quantitative, complex and sophisticated so that the layman has often been “dazzled by statistics”. This does not mean however, that the plans have become any better - indeed with the growth of the mystique of planning it probably implies greater technocratic freedom or control wielded by the planner, the high priest of the whole process, and less interference from uninitiated politicians. At any rate the process seems to involve less involvement and commitment by ministers and politicians who are actually meant to carry out the plan. Tony Hughes, an experienced Pacific Islands administrator and ex-development planner has frankly exposed the tortuous evolution of planning to a state abounding in illusions and delusions. As he states<sup>28</sup>:

“Planners fall victim to their own propaganda, national leaders are persuaded that development planning can solve problems which are essentially questions of power and politics, and we all tend to lose sight of the practical value as well as the shortcomings of development planning techniques”.

South Pacific plans display the varying changes in fads and fashions among planners as to how economic development and growth can best be stimulated, but even a cursory reading usually indicates that the report is very much the product of the planning office. Apart from the customary foreword and perhaps some involvement in one or two of the early chapters, commitment by government to the goals put forward and the strategy espoused appears to be weak or nominal. This fact, also noted by Hughes, is of course fundamental: if government lacks the conviction or political will to really carry out the national development plan, does the plan really mean much? Is it not, in fact, merely an elaborate piece of window dressing?

This is, in fact, the conclusion we must come to - a conclusion also reached recently in a major study of development planning in Papua New Guinea and the Solomons by Herlihy<sup>29</sup>. She concludes that the primary purpose of development plans (rather than their avowed purpose) is to assert the legitimacy of the government and to catch overseas aid from potential donors. (A coherent plan was often a prerequisite required by international development agencies in the 1960s).

One of the greatest problems in development planning, even when it was carried out with sincerity, conviction and a real sense of purpose, is the whole question of macro-micro integration, a problem that has been pointed out from the Spate Report on Fiji in 1959, through the Victoria University of Wellington Solomons and Gilbert and Ellice studies to Herlihy (1981). Before independence it was common to blame the metropolitan country or “colonialism” for the failure of various government rural development policies. But the persistence of these same problems after independence has shown that failure in macro-micro integration is really responsible for the situation:

A “critical factor ... was not the type of government, but the fact of government - a macro level authority imposed on the micro level organisation of communities whose needs had not yet evolved to a proportionate degree”<sup>30</sup>.

The problem requires a strengthening of local government, more community education and greater coordination between local and central government. The popularisation of planning and the demand of villagers to participate in the planning process was perhaps a natural outcome of the anti colonialist feeling in the Solomons and Papua New Guinea as independence approached. It led to a

decentralisation of planning, but as local councils lacked both experience in planning and staff, the central governments managed to consolidate and strengthen their position in this transition period. Even if there is agreement and understanding between the government and village, difficulties often arise in the aggregation disaggregation process which occurs when village aspirations are translated into practice via a development plan:

“At that point, however, they pass through a process of generalisation and redistribution into the basic components of macro policy. During this process a real ideosyncracies are edited out and the essence is subsumed under such broad policy goals as improvement of village health, expansion of village cash-earning opportunities and more (or more appropriate) education. Despite the loss of spatial specificity, the broad spectrum nature of these goals is sufficient to ensure an apparent relevance to village interests”<sup>31</sup>.

Although planners are aware of this problem, Herlihy suggests that the constraints on their role tend to inhibit use of micro-level analysis and to favour a more superficial but across-the-board approach which is less politically vulnerable and places less burden on their scarce resources.

The seriousness or otherwise of attempts at autonomous development can be observed by considering development planning and the reasons for producing a development plan. It has become the accepted theory that governments of developing countries should formulate their own development goals and objectives and work out their strategy to achieve them. These are expressed in the main public documents of the country and especially in the National Development Plan. Donor countries are then expected to respond to these stated goals and strategies by providing capital and/or technical assistance to the recipient country in those areas where it wishes or feels able to help. In practice, however, the process is considerably different. In the first place countries in the South Pacific do not have clear objectives of development apart from the usual pious, high sounding generalities of achieving increases in income, better distribution of income, greater self reliance and the like. As the Deputy Prime Minister of one country stated to a team member, “the leaders of this country do not know where we are going”. Nor is there a clearly worked out strategy.

Moreover, the process of development is not determined by donor countries merely “coming to the party” and automatically funding projects put up by the recipient governments. Donors and recipients each have a “shopping list” and when the two are merged, or discussions occur between aid missions and the recipient government, decisions are made about who funds what.

If the whole planning process is to have any reality at all, it requires a clear formulation of development goals, an agreed strategy to accomplish them, and a searching analysis of recent private and public sector economic performance to be carried out as a basis for determining whether the targets set are attainable. Indeed it could be said in theory, that a Government's responsibility and accountability to the electorate requires it indeed to do this carefully and seriously as one of the most essential tasks of government. The fact that the task is only attempted in a cursory and partial way in almost all South Pacific states shows, either the essential weakness of governments as serious, determined directors of the development process (and that the whole procedure is something of an elaborate charade), or more likely, an implicit or explicit realisation by the politicians that the development process is in no way determined by development planning, that they are, in fact, mirab economies. The reason that governments in the three New Zealand-linked countries don't attempt much

more serious and searching analyses of their economies is that they have never, in the past, found this to be necessary. They know only too well that the financial flow comes from New Zealand budget support, or the relatively dependable inflows of remittances, taxes, philatelic sales and the like - since these sources and New Zealand will provide the necessary resources, why worry? In Kiribati and Tuvalu a crisis has only recently occurred with the announcement that British aid, up till now a certain source of revenue, might cease after 1986.

These generalisations are borne out by considering recent plans in the five countries. Development Planning only began in the Gilbert and Ellice Islands in 1971, with only 8 years to run before Independence and the end of Ocean Island phosphate. Under careful British tutelage and employing a number of able and experienced British economists, a series of competent development plans have been produced for Kiribati and Tuvalu. Technically they are solid documents and considering the problems of establishing a reliable data base, reasonably sound, especially for Kiribati.

However, it is interesting to note that the Cook Islands and Niue didn't feel they needed to have their first Development Plans till later - until January 1984 and 1979 respectively. As frequently happens, the Cook Islands responded to the Asian Development Bank's advice to produce a plan. A plan makes it easier to gain aid from donors. It was largely the work of a determined Dutch planner, but shows no sign of political commitment or belief in an economy working autonomously, independent of that of New Zealand. In a cursory foreword, the Premier, Sir Tom Davis, suggests that the main value of the plan is the "comprehensive set of data" on the economy that it presents. He states that the main task of government is to get a better grip on the development of the country "in its efforts to augment the well-being of the people of the Cook Islands". These remarks suggest that autonomous development is not the primary aim, there is the hint that the development process cannot be controlled by government anyhow and the main aim is welfare.

In the First Niuean National Development Plan 1980-1985 produced in 1979, the Premier, Sir Robert Rex writes in the foreword that the right that Niue possessed to make her own decisions brings also the responsibility to produce as much as possible of the total resources needed. While the leaders of Niue recognise that in economic terms the island cannot in the foreseeable future go it alone, a "determined effort" must be made locally. He states the main aim of the Plan is "basically to increase Niue's degree of self-reliance materially and in the achievement of self confidence in the country's ability to meet a substantial share of the cost of maintaining a modern Niue".

These goals are very worthy and the sentiments sincere, but the political commitment to the Plan appears to be slight. It was pointed out to the Team on Niue that development planning evolved on the island as a method of seeking aid: "We write Development Plans for the benefit of donors - no one here reads the Plan or gives a damn". Aid "towards development and mankind" looks good on paper, but in essence it is transferred to recurrent expenditure: "The recurrent budget looks more like an open drain".

#### 16.18 Aid : Urban and Class Bias

Almost all aid programmes from the Alliance for Progress to the Green Revolution in Asia illustrate that innovations presented to developing regions on a "first-come-first-served" basis of so-called equal opportunity don't work out that way in practice. Larger, more affluent, more literate, or more entrepreneurial farmers capitalise heavily on the new opportunities while the poorer, more isolated and less aware villagers "beyond the tarmac road" receive little or no benefit<sup>32</sup>. Thus while the new



innovations may benefit some favoured regions or classes of people, it also serves to widen the economic disparities between classes and regions. For example, it is easier to promote innovations on Rarotonga than in the northern Cook Islands.

New Zealand's set of principles guiding the bilateral development assistance programme are given in Table 16.4. It can be seen that these are most unexceptionable principles. But in practice New Zealand's aid policies run the same risks of urban, centrist and class bias of most aid programmes referred to above. While the External Aid Division uses the set of principles as a statement of a general approach they are well aware that they are not “the laws of the Medes and Persians” and they might not apply, for example, to the Cook Islands, Niue and Tokelau<sup>33</sup>. Indeed, it was suggested that it was possible to argue that “aid” was really not aid at all in the usual sense in these three countries and that an exceptional approach was necessary to meet the needs of these the five small countries. That is precisely the position taken in this report after the fieldwork phase was completed.

Indeed it is very difficult to meet the particular goals stated in the set of principles, especially section 6. The accessibility of people on lower incomes and in the most remote areas or islands of isolated groups to new innovations is extremely poor and only determined attempts and specific policies targeted specifically at them rather than to the rural population in general are likely to have any success. The poor are indeed invisible to observers who rarely travel further than to the main island, who rarely leave “the tarmac road”. Again “safeguarding the interests of women” is extraordinarily difficult to achieve in strongly patriarchal societies (e.g. Papua New Guinea) where the people who mediate with innovators and change agents are invariably men, and women are often denied the opportunity to speak at public meetings. While the position of women is not as inferior as this in most of the five countries studied, they do in fact often contribute more than their fair share of the work without receiving appropriate recognition<sup>34</sup>. This problem is so important and difficult as to warrant particular, careful attention in project design and implementation by External Aid Division.

#### 16.19 The Issue of “Tied Aid”

It can argued that the inputs required in an aid project, should, wherever possible, be purchased in the recipient country. However since most projects require high quality or specialised inputs in terms of technology, equipment, skills of specialist staff, pedigree stock or other innovations, it is scarcely surprising that they are mostly absent from the small countries of the South Pacific which lack industrial sectors. It has, moreover been an avowed aim of the New Zealand Government since 1969 to provide New Zealand goods and services from within New Zealand itself “wherever this is compatible with the principal purpose” (principle 4 of Table 16.4). It is extremely difficult to calculate accurately what proportion of total bilateral aid is spent in New Zealand rather than in the recipient countries, but a crude estimate reported by Hoadley in 1980, suggested a figure of about 45 percent<sup>35</sup>. This would give a figure of around \$20 million currently being spent within New Zealand; clearly the growth of aid is good for New Zealand business. Where aid goes to larger countries, such as those in Southeast Asia, a much lower New Zealand component and a higher local component should be expected, and indeed aimed for.

TABLE 16.4

THE PRINCIPLES GUIDING NEW ZEALAND'S BILATERAL DEVELOPMENT  
ASSISTANCE PROGRAMME

1. New Zealand's development assistance is directed primarily to the Island states of the South Pacific and is designed to help meet their specific requirements: the second area of concentration is Southeast Asia and in particular the countries belonging to ASEAN.
2. Bilateral assistance is provided by the Government in accordance with New Zealand's capacity and in response to specific requests made by recipient Governments on the basis of their own plans and priorities either directly or through regional institutions.
3. The principal purpose of New Zealand's development assistance is to help promote the economic and social development of the recipient countries, by expanding their capabilities to raise the living standards of their peoples.
4. New Zealand development assistance is normally provided from New Zealand itself; New Zealand goods and services are used wherever this is compatible with the principal purpose.
5. A project to be assisted under the New Zealand programme should have specific development objectives that are to be achieved within a specified time and with specified resources: after that time it should be possible for the project to be carried on by the recipient country from its own resources.
6. Considerations taken into account by the Government in deciding what requests to respond to include the contributions to be made by a project to:
  - increasing the productive capacity of the recipient country;
  - expanding employment opportunities there;
  - improving the living conditions and welfare especially of people on lower incomes and in rural areas;
  - safeguarding the interests of vulnerable groups such as women and increasing their capacity to contribute to development;

and also the extent of popular participation in and support for the project.

## 16.20 Aid Advisory Committee

Time limitations permit only a tentative assessment of the role of the Aid Advisory Committee. This committee was set up in 1975 by the Labour Government following an initiative of the Second Aid Conference of 1974 as a “watchdog” group to review the official development assistance programme of the New Zealand Government in the hope that it might succeed in improving the effectiveness and help to increase the volume of aid within the context of New Zealand's external relations. Undoubtedly the committee has concerned itself with many important issues and addressed many significant problems in the aid area<sup>36</sup>.

In meeting the Team in February 1984 the committee expressed its concern that an increasing percentage of New Zealand aid was going only to the three New Zealand countries (Cook Islands, Niue and Tokelau) and together they received about 40 percent of the South Pacific aid vote. They were also concerned at the lack of certainty in the islands about where these countries were heading: what were their long term objectives? The Committee thought that we should be helping the Cook Islands, for example, to achieve the goals they had for the future (which are, in effect, the achievement of New Zealand standards of living). Members are appreciative of the important role that the Island communities on the mainland play and the many strong links they have back to the islands. The diversity of islander viewpoint in the communities needed to be recognised. Not only were there official committees of the different Pacific Islands communities, but organisations like “Pacifica” with 20 branches were now playing a significant role.

It is of course an excellent principle that members of the New Zealand community, including person who have had a wide experience in and programmes should take a keen or active interest in the official aid programme. The members are often well qualified in terms of their earlier involvement or interest in overseas aid and some have had considerable experience of Pacific or Asian countries; there is no doubting their interest in aid and keen desire to improve New Zealand's aid role.

There do seem however, to be severe limitations to what the Committee can reasonably be expected to achieve. Aid questions are complex and difficult; as this chapter argues aid must be judged in the perspective of the political economy of a country and its particular process of economic evolution. Aid policies should be designed to fit the innovations into the local context, so that a very detailed understanding of the empirical conditions of a country as well as of macro-economic trends is often essential. Even with prior knowledge of a country, a good deal of reading of up-to-date information would be necessary; certainly much more than “reading the papers on the plane” on the way to a committee meeting. A major improvement has been the inclusion of some members of the Committee on overseas aid missions, which enables them to inspect an aid project on the ground. However it would appear that access of committee members to more recent information on countries and particular projects (including access to the Ministry of Foreign Affairs Library before a meeting) and fuller briefing by EAO officials would be a considerable improvement.

Some members of the Committee believe it is not performing a very effective role but are unable to identify the changes needed to improve that role.

This comment is in no way intended to disparage the valuable work the Committee is undoubtedly doing, and the concerns of the Second Aid Conference for effective monitoring of ODA remain just as important today, ten years later. But aid administration, done properly, is a specialised, professional job, and it is unlikely that ad hoc, cursory, or very generalised approaches to evaluating it will achieve

much real understanding, or provide a serious yet constructive challenge to official policies. While there are no grounds for doubting the seriousness of the External Aid Division's approaches, it would not be difficult for skilled diplomats to “fob off” the Committee or to side-track them away from sensitive areas. The Team recommends that strong efforts be made at assisting the Committee to acquire the means to enable it to evaluate aid policies in more depth.

#### 16.21 The Administration of Aid

It can be argued that the effective administration of aid from Wellington requires many ingredients: adequate numbers of competent staff (in 1983 EAD totalled 49 persons), experience and knowledge of island conditions, continuity of staff to acquire an understanding of island problems and to view project performance in some perspective, and good access to key data (such as population, import and export trade, copra output statistics etc.), and the best fieldwork analyses of island societies and cultures. As it is, a small group of hard working staff do their best to cope with a huge workload, which includes among the multitude of trivial tasks, working out and implementing a coherent and meaningful aid programme that is designed especially for each country's particular requirements and conditions<sup>37</sup>.

The following exchange of comments indicate the nature of the problem: From High Commissioner, Suva:

“I am not prepared to go to yet another Western Pacific country and listen to snide comments by British officials about the inadequacy of our aid performance until the whole Western Pacific programme has been pulled together again. I have, therefore, cancelled my planned visit to Tuvalu in early May. I plan to come to Wellington during May to discuss programme with you: in my view, we have reached the point in the case of New Hebrides and Gilberts - and perhaps Tuvalu as well - where we either convince our government it should provide the manpower to administer the programmes adequately or cut them drastically and live with the consequences. For the record, the same point has to be made in respect of the regional programme. We should not go on raising expectations and dashing them in a regular cycle”.

To this, External Aid Division responded:

“More than administrative inadequacies at this end are involved. There is a basic issue of priorities. Apart from general protestations of goodwill, there are in practice few points of mutual interest New Zealand shares with the Western Pacific “little fellows” - Gilberts, Tuvalu, New Hebrides and until recently even the Solomons - apart from the aid relationship, and aid questions accordingly tend to dominate the horizon of post representatives beating the bounds of their parishes. But it is a fact of life that these tiny aid programmes must take second (or third) place to the maintenance of the substantial on-going aid operations with the major Pacific aid partners, in terms of priority of staffing and attention here. There is no point in talking about forcing Ministers to decide that desirable

aid objectives must be supported by adequate capability to implement those objectives. The immediate parallel is the question of the appropriate level of staffing and support for overseas posts if foreign policy aims are to be achieved. On both fronts there are unfortunately no black and white answers to either: the Ministry must do its best with the resources it is given.

The snide comments of lame duck British colonial administrators, we would have thought, are surely something to take in your stride. When local Ministers make comments to you that New Zealand aid is so erratic or slow that they would rather we didn't try to help at all, then will be the time to get worried”.

The aid relationship (with the New Hebrides, Britain and France) is simply a further demonstration of the hard lesson:

“we have assimilated in the last four years from Bangladesh, Pakistan, Nepal, the Caribbean countries viz. that aid programmes in countries where there is no New Zealand post are a waste of money, time and tempers. Whether you like it or not, we are dependent on visits and discussions like yours for most of what little we can do to keep a programme stuttering along”<sup>38</sup>.

Thus although the immediate problems were inadequate numbers of staff and chronic staff turnover, the basic problem was the relatively low priority of aid within the whole Ministry and within the aid programme, the low priority of the small aid programmes. In respect to improving this situation, the list of suggestions made at the beginning of this section would require more funds, but some involve merely reorganisation, more imagination, more continuity, and appropriate specialisation (such as the appointment of a Pacific specialist to the Library staff). Willingness of Foreign Affairs staff to say spend 10 years of their career within the South Pacific region, rather than alternating between say Bangkok, Apia and Ottawa at frequent intervals, is also required if a fully competent and professional aid bureaucracy, attuned to the up-to-date needs of the countries of the region, is to evolve.

In spite of the generally effective work output of EAD, some administrative and policy changes would enhance its self-image and attractiveness to new recruits<sup>39</sup>. There is a feeling that staff members of EAD are “second class citizens” compared to the diplomatic corps. Entry to EAD is not quite so difficult as to the diplomatic corps. In Foreign Affairs, ability at political and economic reporting has highest priority; these are seen as the real skills, and aid in general is not considered as being so complex a matter. (This chapter has surely indicated the complexity and diversity of aid issues). A major problem for EAD in the past is that there has been no real career path to follow. Senior people have in the past come in from diplomatic posts to take the top positions heads, deputy heads and even section heads. Only recently have career opportunities begun to appear for EAD appointees. No criticism is implied of these diplomatic staff; they are obviously people of considerable ability and experience, but the pattern is unfortunate for full time EAD appointees. This policy implicitly suggests either that aid is mostly political anyway, or lacks the complexity that demands specialisation, continuity and experience in the aid area. Some staff feel that aid has a low status compared to the diplomatic work of the Ministry and even within the aid area, the South Pacific region has the lowest

status. Certainly there is a high turnover of staff in EAD which suggests that a deeper enquiry is perhaps required.

Some staff complain of the lack of continuity and failure to implement ideas already accepted. Some important, valuable innovations have occurred. "In house" reviews began with the last director of EAD. The introduction of the Planning and Evaluation Section provided the division with the opportunity to critically review the work that had been done. There is a feeling amongst some staff however that members of the division often "lack a feel" for the Pacific, "don't possess a political overview" or fully appreciate the constraints a country really suffers from. There is concern over the failure of some of the islands' scholarship schemes in New Zealand; now more of the pupils coming to New Zealand to be educated are the children of well educated people. And one of the largest pressures placed on staff is to "get the money spent" (e.g. in the Kiribati aid vote). The fact that there are large sums of money to spend takes precedence over project design or building up the understanding in the "pre-project" phase.

It seems clear that of the six regional divisions of the Ministry of Foreign Affairs, the role of SPA (the South Pacific division) should be considered to be very important. As we have suggested elsewhere, if the administration of policy in the small dependent states is not to be transferred elsewhere to some other Government department, the scope of MFA's role needs to be widened to include in a thorough way the affairs and issues concerning the Pacific Islander communities in New Zealand and their links to the islands. And while it might be appropriate for some MFA staff to pass through SPA and move on to other diplomatic posts, the Team argues strongly for the development of in depth Pacific competence and experience by the appointment for lengthy periods (probably a whole career) of suitably sensitive people to the South Pacific Division. Such officers should be expected and encouraged to acquire specialised linguistic, cultural and economic knowledge for particular island groups or countries (some islanders in New Zealand might perhaps of course themselves be appointed to some of these positions). The Team also believes that the competence of the Ministry to analyse in depth the economic problems of the South Pacific should be strengthened by the appointment of one or two able economists to the Ministry to work on macro economic problems.

While the general standards of professionalism in the Ministry and EAD appear to be high and the management competent there would seem to be scope for occasional "brain storming" sessions on aid policy, and at critical "watershed" times in islands' evolution (e.g. the 1975 aid mission to the Cook Islands) as well as frequent, normal sessions. This is because in any large organisation there is a danger that the "official culture" will become rather over-powering, pre-empting constructive thinking on alternative policy options, that policy positions will ossify and discourage fresh thinking and the possibility of flexible responses from Wellington to changing island needs. Such sessions must avoid the danger of "reifying" issues, foisting these on the islands, or "bureaucratising" approaches needlessly, but they would provide New Zealand representatives in the islands with more adequate back-up, contribute to esprit de corps and further advance the professionalism of the South Pacific Division and the External Aid Division.

## 16.22 Conclusions : Implications for Policy

Aid is no longer a new phenomenon in New Zealand and it now runs the risk of institutionalisation, with increased standardisation of approaches and a loss of fresh thinking. This chapter has deliberately taken a broad comprehensive approach to aid to indicate its complexity and the diversity of issues that need to be addressed and the variety of responses that are required. Clearly a plurality of policies is needed, often within the one recipient country. It is argued that an empirical approach to aid is essential, that particularist aid policies adjusted to the precise circumstances of individual countries are needed, as well as aid programmes adjusted to each country's political economy. This calls for detailed country knowledge and an understanding of how aid can perform a strategic function rather than merely fill a gap. However for the smaller recipients - and especially the five small states studied in this report - the prime need is for aid in the form (and preferably relabelled) of subsidies. These policy proposals call for a highly professional and component aid bureaucracy with a good deal more in-depth knowledge and experience of actual island conditions than has been required of staff hitherto.

It has been thought in the past that the main requirement to improve aid is the allocation of additional resources. However increased staff resources in recent years have shown this view to be fallacious. Improving the administration of aid is a complex issue, as well as being less important politically than was widely believed. A good deal more is needed than additional staff. While EAD is quite effective in its administration of aid in terms of spending as much as possible of an allocation in one year on reasonably sensible requests coming from the recipient governments, it has remained an essentially passive operation which does not encourage country specialisation, innovation or full economic analysis.

That in-depth country knowledge is a powerful and rewarding asset that will lead to more effective aid can be demonstrated. How, for example, can knowledge of the Cook Islands (see Chapter 6) lead to better and more appropriate aid policies to that country? The country chapters (chapters 6 -10) demonstrate, we hope, the value of such knowledge. For example, appreciation that the Rarotonga Airport was designed essentially for tourist purposes, that there are inadequate storage facilities at the airport for pawpaw and other fresh produce, and that the day of the return flight to Auckland leads either to deterioration of the airfreighted fruit over the weekend before it reaches the shops on Monday, or requires the picking of fruit that are too green, shows that innovations are required that are not imposed from New Zealand but which meet local needs. And a review of the overall situation of Kiribati (Chapter 9) suggests the paramount importance for that country of its attempts to build up a tuna fishing industry, the coconut replanting campaign and a renewed family planning campaign. Aid in any of these three strategic areas, is likely to be much appreciated. However, with respect to the family planning campaign, aid designed according to pre-conceived ideas and other countries experience was a conspicuous failure when applied by the World Health Organisation whereas the earlier local campaign, which did not require the use of the European (instead of lunar) calendar and which was based on locally proven methods had been conspicuously successful. It is time that EAD based more of its aid policies on the lessons of experience, on an evolving corpus of solid fieldwork results and a deeper in-depth knowledge of its own South Pacific region.

Of course New Zealand must always listen carefully to island requests and be flexible and responsive to their needs, but we suggest a more active partnership in a friendly informal way in assisting island governments to monitor their on-going developments, to analyse the functioning of the South Pacific macro economy, and the actual workings of each local island economy. Such joint, in-depth analyses would enable aid to be used in more functionally useful and appropriate ways, although the prime need

for the mirab economies, as indicated above will be predominantly social, to ensure the maintenance of living standards through continued budget support.



## NOTES TO CHAPTER SIXTEEN

The legacy of the Kennedy presidency led both to the founding of the Peace Corps (and to the VSO of Britain and VSA of New Zealand) and the Alliance for Progress aid scheme for Latin America, which was probably the largest aid scheme the world has ever seen.

Bryce Harland, "New Zealand's Changing Place in the World", in Geography and Development Policy, Proceedings of Eleventh N.Z. Geography Conference, Wellington Branch, Wellington, August 1981, pp. 7-10.

Harland (1982).

Data obtained by R.F. Watters in Papua New Guinea in 1982.

In Asia in 1983/84 \$4.25 million was allotted to Indonesia, \$1.5 million to Philippines and also to Thailand and very small sums to nine other countries. Again this pattern suggests that security is a major consideration. New Zealand Development Assistance, Review of 1982 New Zealand Aid Programme, Ministry of Foreign Affairs, Wellington.

The countries in the South Pacific with very low GNP or GDP figures per capita (below A\$500 in 1979) are Western Samoa, Tonga, Kiribati and Vanuatu. However there is considerable doubt about the accuracy of such figures for some countries; thus the real figure for Western Samoa is probably a good deal higher. (There are advantages in being classified a Less Developed Country). South Pacific Commission, South Pacific Economies 1979 : Statistical Summary, Noumea, 1981, Table 3.

R.V. Cole and G.J. Thompson, Proposals for a Pacific Islands Fund : An Evaluation, A Report to Secretary General, South Pacific Commission and Director, South Pacific Bureau for Economic Cooperation, July 1981, p. 6.

Professor Tony Hooper, comment at Workshop, Auckland, 26 27 May, 1984.

I use power in this sense to mean "conditioned power" and "compensatory power" in J. Kenneth Galbraith's threefold classification of power. Conditioned power is the use of persuasion or conditioning, including the appeal to fundamental beliefs. International agencies are expert in this. The other types of power are "condign power" (punishment), and "compensatory power" (rewards or incentives) another favourite ploy of the international aid agencies. We follow Weber's definition of power: "The possibility of imposing one's will upon the behaviour of other persons", Galbraith (1983). S.P. Money to Secretary MFA, 5 January 1982.

The name of the international organisation has been omitted and a fictitious name substituted for the name of the representative.

W.H. Geddes et al., 1982, Islands on the Line : Team Report, Atoll Economy: Social Change in Kiribati and Tuvalu, No. 1, Development Studies Centre, Australian National University, Canberra, pp. 185-87. The team of three anthropologists and two geographers was directed by R.F. Watters.

E.F. Schumacher, 1973, Small is beautiful, Economics as if people mattered, New York

Ben Finney, 1965, "Polynesian Peasants and Proletarians", Journal of the Polynesian Society, 74, 3, September, p. 285.

The politicization of the civil service did endanger this occasionally, e.g. in 1972 when some civil servants were sacked by the Henry Government for not conforming to his policies (Stone, 19).

Confidential interview on Niue, May 1984.

E.K. Fisk, 1978, The Island of Niue : development or dependence for a very small nation, Occasional Paper No. 9, Development Studies Centre, Australian National University.

It is noted in Chapter however that by the early 1980s all the major improvements to the infrastructure envisaged have been completed.

Two team members have been consultants to the Puno project in the altiplano of Peru, contributing reports to Ministry of Foreign Affairs; I.G. Bertram in 1976 and R.F. Watters in 1976 and 1979.

This viewpoint was expressed by Bryce Harland, a former Director of the External Aid Division.

Crown Agents and Land Resources Development Centre, 1982, Kandrian Gloucester Development Study, West New Britain, National Planning Office, Papua New Guinea.

Islands on the Line : Team Report, 1982, Chapter 6.

e.g. for an excellent argument, showing the destructiveness of much Western "development", see W.C. Clarke, "The dilemma of development", Chapter 11, in Harold Brookfield (Ed.), 1973, The Pacific in Transition, Australian National University.

e.g. Hugh Norwood, 1981, "The Goilalas : Mafia or Maligned?", Pacific Viewpoint, 22, 1, May, pp. 81-88.

25 Roger Keesing, 1978, "The Kwaio of Malaita : Old Values and New Discontents', in E.K. Fisk, The  
Adaptation of Traditional Systems of Agriculture, Development Studies Centre, Australian National  
26 University, Canberra.

27 Ray Watters and Kabiritaake Banibati, 1984, Abemama. Atoll Economy: Social Change in Kiribati  
and Tuvalu, No. 5, Development Studies Centre, Australian National University.

The main "bible" of development planners is A. Waterston, Development Planning : lessons of  
experience, John Hopkins, 1965. An excellent introduction is provided by Arthur Lewis,  
Development Planning, Allen and Unwin, 1966. In the Pacific a lot of the key policy options are  
discussed in Ron Crocombe, "That Five Year Plan", New Guinea, December 1968 January 1969, and  
"His Critics" and "Reply". Two very lively discussions by an experienced planner are Tony Hughes,  
"Background to Development", Pacific Perspective, 1, 2, 1973 and "All Done by Mirrors" in Sione  
Tupouniua, R.G. Crocombe and Claire Slatter (Eds), The Pacific Way, Social Issues in National  
Development, Suva, 1975. The most searching analysis of development planning in the region is J.M.  
Herlihy, Always We are Last : a study of planning, development and disadvantages in Melanesia,  
Ph.D. Thesis, Australian National University, 1981.

28 Hughes (1975) : 18.

29 Herlihy (1981).

30 Herlihy (1981).

31 Herlihy (1981) : 364.

32 The outstanding statement is probably by Michael Lipton, 1976, Why Poor People Stay Poor, Temple  
Smith, London. See also Keith Griffin. Mick Moore, 1981, "Beyond the Tarmac Road : a Guide for  
33 Rural Poverty Watchers", Institute of Development Studies, Bulletin, 12, 4, October.

34 Mr Rob. Miller, Director of External Aid, personal communication, February 1984.

e.g. Almost all the staff at the fruit processing factory on Niue are women. They also did much of the  
labour in the passionfruit era. The vigorous craft groups that do so much to support social welfare at  
the household level are entirely women's groups.

35 J. Stephen Hoadley, "The Gesty growth of tied aid", New Zealand International Review, V2, March  
1980, pp.16-18.

36 Advisory Committee on External Aid and Development, Annual Reports for 1979-80, 1980-81, 1981-  
82, Wellington.

37 Review of 1982 New Zealand Aid Programme, Ministry of Foreign Affairs, Wellington, 1983.

38 High Commissioner, Suva, to Secretary MFA, and EAD to High Commissioner, 25 28 April 1978,  
118/113/115/1. It appears that the administration of aid has improved since this 1978 exchange.  
However it is not inconceivable that this situation would occur again.

39 This section is based on confidential interviews with a number of EAD and MFA staff.

## CHAPTER SEVENTEEN

### THE WIDER PACIFIC SCENE

This report has been confined to five small Pacific states, but it is interesting to observe at the conclusion of the study, that parallel trends, similar to those identified above, appear to be occurring in a number of other Pacific island economies. There is much scattered evidence to suggest that the MIRAB economy does exist (and its consequences are thus to be expected) in several other larger South Pacific countries, undermining their economic autonomy and explaining in part, why 'bootstraps' development has been so unsuccessful (Chapter 4). Table 16.3 (column 5) suggests, in a crude way, what a high proportion of the revenue base of these countries is contributed by external aid funding. Apart from aid flows the very substantial volume of remittances and the importance of other invisibles such as earnings from tourism and philatelic sales now appear to play a major role in the functioning of these island economies. In Western Samoa, for example, by 1973 money order transfers from New Zealand (exclusive of other forms of remittances) almost equalled the total of all agricultural exports combined.<sup>1</sup>

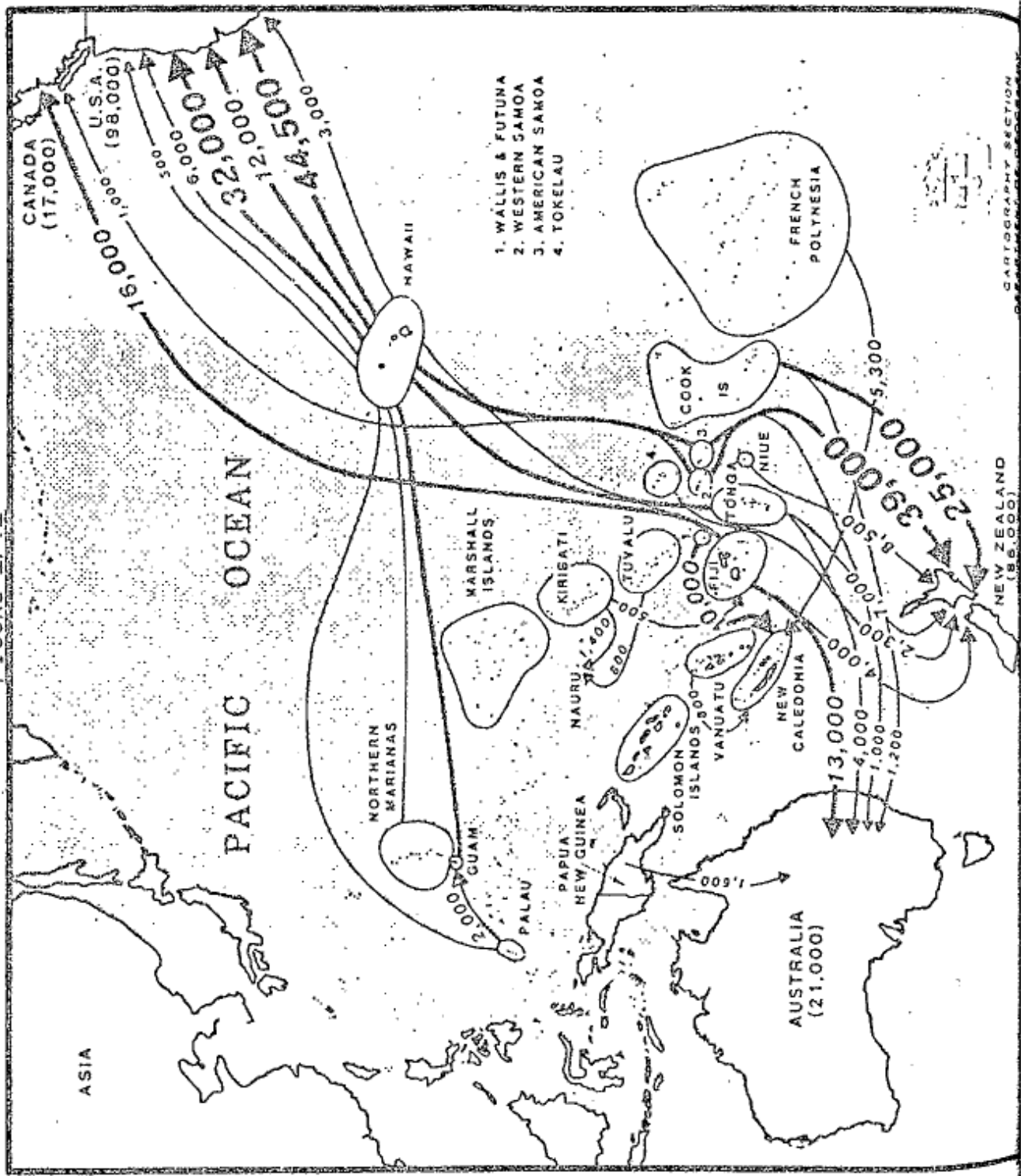
In Tonga too, George Marcus has argued that a new kind of society based on a new kind of economy (that appears to be essentially MIRAB in type) has evolved in recent years. European penetration has added a larger dimension to an existing tendency for some local populations to view their social worlds in broad geographical terms and increased mobility and international dispersal of kin has furthered this process. Post contact elites became or remained elites by attending to this new horizon of social definition. Initially old elites had an advantage in assimilating and interpreting changes for their local populations. But as Marcus points out:<sup>2</sup>

"....eventually their own character as elites also changed as their functions became defined by foreign derived political and economic institutions, which brought them into closer emulative and subordinate relations with colonial powers than the rest of their population."<sup>3</sup>

While the nation state model and identity is the way that metropolitan or 'core' states view the periphery, it is only one way amongst others that peripheral elites view their own conditions or position in the world.

Given the lack of resources in the islands and the few opportunities that exist for creating income and improving status it is entirely understandable that there has been an 'internationalisation' of Tongan culture since about 1965. By 1980 there were significant concentrations of Tongans in New Zealand (especially Auckland), Australia, Fiji and the United States (Hawaii, California and Utah), and a few in Britain. With the colonisation of niches of economic opportunity dispersed in different countries a Tongan kindred becomes truly multinational. Actual outcomes, of course, depend on how well individual migrants do and how strongly they maintain their ties with relatives at home. 'Resources' in this international field of operations can be identified as jobs, property, positions, reputation and influence with local authorities. Up till now the main focus for the network of kinsmen has been primarily towards the homeland, but this could conceivably shift in the future to a metropolitan locale, or to an approximately equal balance between several locations.

FIGURE 17.1



The broad geographical perspective of elites is, of course, nowhere better illustrated than the example of the King of Tonga, Tupou IV. In an attempt to gain leverage in a world of more powerful states he has conducted negotiations with private individuals and government representatives in the United States, Australia, New Zealand, Japan, India, Saudi Arabia, the USSR and Libya. The numerous negotiations (and friendships appear to be designed to find a large investor to subsidise Tongan development and replace diffuse dependency perhaps by a narrower kind of clientage. Such a strategy obviously involves many risks as well as benefits.

In general, the international dimension of networks of kinsmen enables elites to choose between various options of maximising resources, status and power. The broad based economic mobility gives the elites more leverage for their operations in peripheral societies. And those who do not migrate, but remain in the islands, are less likely to improve their position unless they forge links with migrant kin overseas.

One of the most interesting examples of an island society maximising its options internationally is provided by the Banaba people, who were resettled from the phosphate-rich Ocean Island (Banaba) to Rabi Island in Fiji. The Banaba people have operated in several contexts to 'touch' all their options without foreclosing any. Indeed deft handling by Banaban leaders has characterised their international relations (which included record breaking litigation in the Privy Council)<sup>4</sup> while at the same time, they have maintained their identity both as a people under colonial rule in Fiji and as owners of their economically-rich homeland.<sup>5</sup>

The extent to which the MIRAB economy exists in these other countries remains an interesting problem for future research, since it will have a critical bearing on the choice of policies. Two major trends - the migration of islanders throughout the Pacific Basin, and the continued penetration of island economies by metropolitan capitalist forces - suggest a gradual decline of relatively autarchic island economies and growing interdependency with Pacific rim countries.

In a recent series of studies on Pacific Islands' migration John Connell has pointed out that over 10 percent of Pacific Islanders (with the exception of Papua New Guineans) now live in a metropolitan country of the Pacific rim - that is, Australia, New Zealand, the United States or Canada.<sup>6</sup> Pacific migration has now reached a level that makes it very significant in historical or world terms, since it involves number which are much more significant to the populations remaining at home than the movement of almost any people, with the exception, perhaps, of the Irish at the time of the great potato famine. The map on migration patterns produced by Connell (Fig. 17.1) conveys some idea of the significance of this movement. As many as 40,000 Tongans now live in New Zealand, Australia, and the United States. By 1972 the authorities in Pago Pago (concluded that approximately 500 people were leaving American Samoa every year and that American Samoans already resident in Hawaii and the American mainland outnumbered those in their island home by almost two to one.<sup>7</sup> Thousands of Fijians (mostly Indian) apply every year for resident visas in Canada, the United States and Australia. Auckland has the largest concentration of Polynesian people in the whole South Pacific. And Vancouver is now Fiji's third largest city, since 20,000 Fijians (90 percent of whom are Fiji Indians) now live there. It is interesting to learn that such characteristically Fijian names as 'Lautoka' and 'Sigatoka' are now appearing in the names of businesses on Vancouver streets.<sup>8</sup> Increasingly the pastures outside the islands seem to be becoming greener to many hopeful, would be migrants. Only the many entry restrictions and immigration barriers in the metropolitan countries prevent this sizeable movement from becoming a flood.

## CHAPTER SEVENTEEN

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<sup>1</sup> McKenzie (1983): 19.

<sup>2</sup> George Marcus, "Power on the Extreme Periphery: the Perspective of Tongan Elites in the Modern World System', Pacific Viewpoint, 22, 1, May 1981, p.49.

<sup>3</sup> Marcus (1981).

<sup>4</sup> This included a claim for land devastated by mining operations and a claim against the Crown for breach of its duties as a Trustee. Diana Abrahams, "A Long Look at Ocean Island,' The Law Society's Gazette, 23 February, 30 March, 27 April, 1977.

<sup>5</sup> Marcus (1981): 62, citing the research of M.G. Silverman.

<sup>6</sup> "Islanders away from home: the promise, the challenge', Pacific Islands Monthly, September 1984, p.53.

<sup>7</sup> Gordon R. Lewthwaite, Christine Mainzer and Patrick J. Holland, "From Polynesia to California : Samoan Migration and its Sequel', The Journal of Pacific History, 8, 1973, p.133

<sup>8</sup> Pacific Islands Monthly, September, 1984.

## CHAPTER EIGHTEEN

### CONCLUSIONS AND RECOMMENDATIONS

In initiating the present study, the Ministry of Foreign Affairs suggested that “a comprehensive study be made of the economic and social problems and potential of selected South Pacific mini-states with a view to assessing costs, benefits, consistency and effectiveness of current New Zealand policies as these bear on these states and whether these policies need modification in order more effectively to achieve our national objective.”

The national objective specified by the Ministry was “the promotion of stable, democratic and well-disposed governments and societies within our neighbouring South Pacific States”; and the “mini-states” selected for the study were Kiribati, Tuvalu, Niue, Tokelau and the Cook Islands.

In carrying out such a wide ranging study within the limited space of seven months, January to July 1984, the Institute of Policy Studies team has, of necessity, been selective in its coverage of topics, and a number of major issues have had to be passed over, especially in the area of defence priorities. Our focus has been on gaining a clearer understanding of the actual workings of the five societies chosen, and on using that understanding to review the broad lines of New Zealand policy in the areas of constitutional evolution, economic development and social policy. Our central conclusion is that the shortcomings of New Zealand policy lie mainly in the premises on which it has been based, especially during the past decade and a half. A number of recommendations follow from this.

The policy assumptions which, in our view, need to be critically re-examined, are the following:

1. That the natural course of constitutional evolution is towards independence, and that even limited steps towards political integration between the island mini states and New Zealand are to be seen as retrograde rather than progressive.
2. That “economic development”, meaning the promotion of commodity production onshore in the island territories, should be a central goal of policy.
3. That “development aid” is preferable to budgetary support in other words, that there is a better case for subsidising investment in the islands than for subsidising consumption.
4. That the viability or otherwise of island societies and economies should be assessed on the basis that the islands are autonomous, isolated entities rather than integral parts of a wider Pacific community including mainland New Zealand.

Propositions advanced in the body of the report on these four areas may be summarised as follows:

1. There is no doubt that the island peoples have welcomed, and benefited from, a greater degree of political autonomy; and it is clear that a sense of local identity is vital to the political cultures of the small island states. It does not follow that completely autonomous self government or sovereign independence are the proper goals for policy in the long run. Self government constitutions in the Cook Islands and Niue, continued dependent status for Tokelau, and independence in Tuvalu and Kiribati, need to be seen as experiments rather than

final answers.<sup>1</sup> Avenues should therefore be kept open for these peoples to reassess their constitutional status in the future, and New Zealand policy makers should keep in mind that New Zealand and the United Kingdom bear a substantial part of the responsibility for the paths of constitutional evolution followed by their former colonial territories. In particular, New Zealand has been responsible in the past for closing off limited political integration as an option; this restriction should not be retained in future constitutional negotiations. These issues are canvassed at length in Chapter 3.

2. Onshore commodity production in the island mini societies has very limited prospects for expansion under the prevailing regime of resource endowment and relative prices. The economies covered by this report are not export led, but are rather driven by current- account invisible flows, which to a large extent may be summarised as rent income: remittances, budgetary support, philatelic revenues and tourism earnings. Commodity imports greatly exceed commodity exports in value, but this trade deficit gives no indication of the overall balance-of-payments position, which is strong in all five of our cases. As usual in rent-driven economies (the OPEC countries are the best known examples), production of tradeable goods is unprofitable at prevailing relative prices; and prevailing relative prices are reinforced, not undermined, by the balance of payments position. The establishment of profitable capitalist productive enterprise on any significant scale would require a substantial reduction in the standard and quality of life in the village economy (since a low-wage proletariat would have to be created), and a radical re structuring of aid flows to provide permanent subsidies to the rate of profit. Both changes would tend to be subversive of the achievements of the past three decades in social and political terms, and would require changes in New Zealand policies on labour mobility which would be politically explosive in New Zealand itself. Economic and aid policy would better be directed towards maintenance and enhancement of a status quo which has a great deal to recommend it, and which is not unduly burdensome to New Zealand taxpayers (especially since a large body of those taxpayers are migrant islanders making a large contribution to New Zealand income and output.) These issues are canvassed in Chapters 5, 6 and 7.
3. Following from the preceding point, the case for assured and continuing subsidisation of living standards in the mini-states is much stronger than the case for so called “overseas development assistance” (ODA). The current practice of subsuming budgetary support under ODA is misguided and has led to the adoption of inappropriate procedures and priorities - notably the expectation that “development” should lead to a backing out of budgetary support over time, and a shift from three year forward programmes to a system of annual reviews of aid levels, which substantially reduces the real autonomy and flexibility of recipient governments. Standard of living subsidies are an intrinsic part of the “special relationship” between New Zealand and the Cook Islands, Niue and Tokelau. Those subsidies should be explicitly guaranteed and provided for, and should not be subject to erosion by so called “ODA”. They should be approved and administered separately from the Ministry of Foreign Affairs' external aid vote, and the expenditure of the funds by recipient governments should be accounted for to the New Zealand Parliament by the authorities in the islands.

The nature of New Zealand's relationship with Tuvalu is evolving in a direction which makes it appropriate to consider the possible establishment of a formal “free association” contract between the two countries, similar to those already established with Niue and the Cook Islands. Tuvalu is a small Polynesian country which already has strong and growing links with



New Zealand. The population of about 8,000 receive about \$1,000 per capita of aid from various sources, and the central thrust of this aid is the maintenance of current consumption rather than the promotion of high yielding investment projects. It would not be too onerous for New Zealand to take a greater role in underwriting the well-being and security of this nation, and providing some greater opportunities for migrant labour than currently exist. The negotiation of some constitutional link to ensure proper discussion and accountability, and to provide Tuvalu with some direct input into New Zealand policy formation, would be useful in this case as in the cases of the Cook Islands and Niue. In all such cases, an obvious first step is the establishment of a select committee or similar body in the New Zealand Parliament as a standing committee concerned explicitly with monitoring, protecting, and if necessary renegotiating, the various contracts of free association.

The historical responsibility for Kiribati and Tuvalu rests with the United Kingdom. New Zealand should continue to use diplomatic means to persuade the UK to maintain long-run financial support for both societies, even if the relationship between New Zealand and Tuvalu becomes a closer one as suggested in the preceding paragraph. It is assumed that Australia will play a larger role in the future in support for Kiribati.

In operating a system of living-standards subsidies through budgetary support or other means, the levels of subsidy should be agreed for some years in advance, and should be inflation proofed by an agreed formula. Any reduction in the level of island reliance upon subsidies from New Zealand, once these have been agreed, should be the result either of island initiative, or explicit decisions by the New Zealand Parliament. New Zealand officials should cease pressuring island governments to reduce their aid dependence in aggregate terms.

Insofar as the New Zealand Parliament and the island governments feel that productive commercial activity should be encouraged within the village economy, there is obvious scope for the flow of financial subsidies to be diverted in part from bureaucratic salaries towards producer price supports. This is already beginning to occur in Tokelau as a result of local initiative, through the Community Services Levy and the copra price support scheme; it is also implicitly the basis of the Aitutaki banana trade, which depends upon continuing subsidisation of the Joint Shipping Service. Such a switch in emphasis should not, however, be unilaterally imposed from Wellington, and it should be recognised that the goal pursued by such subsidies is basically a social one (relating to the structure of economic opportunities in island society) rather than the promotion of so-called "viable" economies. If island production or island generated revenue increases in any particular year, aid should not be reduced by the full amount of the increased local revenue as current policy tends to suggest.

4. The assumption by the Ministry of Foreign Affairs of responsibility for relations with the island mini societies has imposed strong lines of demarcation between islanders resident in the islands, and those resident in New Zealand. Island societies - especially those of Niue, the Cook Islands and Tokelau - need to be viewed as organic wholes, including all members of the island community wherever resident. The present strong separation in New Zealand policy between migrants and island residents is not conducive to good policy making, and should be reduced. In the field of social welfare, this implies serious consideration for measures such as portability of National Superannuation to those island societies with which a "special relationship" has been established. In the field of administration it suggests that there may be benefits from the establishment of an entity responsible for the overall affairs of the islander

communities. (The recent establishment of a Ministry of Pacific Affairs is a promising innovation in the right direction). The Ministry of Foreign Affairs should not, in our view, take an unsympathetic stand on initiatives of this sort. At the very least, the South Pacific Affairs division of the Ministry of Foreign Affairs should have more flexibility in dealing with island communities within New Zealand as well as abroad, and should explicitly be freed from any requirement to apply in the Pacific mini societies the guiding principles of foreign policy in New Zealand's relationships with large independent nations including the larger nation states of the Pacific area. The mini societies are special cases and should be treated as such; the pursuit of appropriate policies should not be hindered by any need to pay lip service to fashionable dogmas drawn from elsewhere. In this connection, New Zealand may have an important role in shielding the mini societies from incursions by the large international agencies.

The criteria for “viable societies” in the mini-states should take account of their integration with other political units in the region, and especially New Zealand. “Self sufficiency” is both an unrealistic and an inappropriate goal for policy in societies which have made a whole hearted commitment to the development of open economies. Far more important is to maximise the gains to both parties from the close integration between the islands and the metropolitan economies. Again, there appear to be arguments for incorporating Tuvalu into the same sort of economic integration with New Zealand as already exists with the Cook Islands, Niue and Tokelau; this would involve changes mainly in immigration policy, with very limited probable impact on the New Zealand labour market.

#### Some Other Conclusions.

1. The objectives of aid policy, and the selection of appropriate aid “projects” or programmes, need to be based upon careful in-depth analysis of the political economies of individual recipient countries. This is especially true in the small Pacific societies covered by this report, because of the great weight of aid relative to other sources of local incomes and because of the close links with New Zealand (which make these societies the logical test cases for New Zealand's commitment to designing appropriate and effective aid packages). Although the existing External Aid Division is hard-working and competent, there may be a need for more fresh thinking, flexibility, in-depth analysis at both the micro level and the macro-economic level of aid impact in small economies.

This report has challenged the application of the conventional “modernisation” model of development in the context of these small, unique cultures and environments. Many large development projects in the Pacific exhibit the ethnocentric and technocratic biases of the international aid “establishment”, with a tendency to start from preconceived assumptions about local conditions, needs and responses.

The Team believes that EAD could readily develop the skills, experience and concept to avoid these pitfalls, as it already has done to some extent. Effective aid for any one country requires the avoidance of stereotypes and a clear understanding of the local context. The in depth background knowledge, and accumulated experience, which this implies, can be acquired and deployed only if EAD is properly organised, with improved status relative to the diplomatic divisions of MFA, and a career structure which encourages professional specialisation in (for example) the South Pacific nations.

2. An important element in understanding the dynamics of present day island societies and economies is the emergence of the Pacific Basin economy as an integrated whole, within which island kin groups operate as transnational rather than national entities. Both labour and finance are highly mobile, but at the same time strong links between migrant family members and “home” seem likely to endure for at least the next generation or two. Migration remittance systems should therefore be viewed as persistent, rather than temporary, phenomena; and the implications of such systems need to be taken account of in designing policies at both national and regional levels. In particular, we would make the points that
  - (a) None of the island societies, even the smallest ones, are likely to become totally depopulated on a voluntary basis, and policies encouraging depopulation would unavoidably require forced resettlement, which we assume to be unacceptable. Evacuation or abandonment are not, we therefore assume, realistic policy options.
  - (b) The rapidly increasing migration-remittance links between the South Pacific and the west coast of North America (United States and Canada) is the major new element in the regional situation, and must imply an increasing orientation of Forum countries towards the United States. In fisheries negotiations and regional defence issues, therefore, consideration of migration-remittance links with the USA are likely to bulk larger in the future than trade links per se.
  - (c) In general, it is the Polynesian societies (with which New Zealand is most closely involved) which have proceeded furthest down the migration-remittance path.
  - (d) Island societies which lack migration outlets face the possible emergence of a reserve army of surplus labour if population growth is not checked; of our five Kiribati is the most likely candidate.
3. Economic and social forces continue to run counter to political fragmentation in the region, and sovereign political independence, even where established, may not always prove sustainable in the long run. Nor is it clear that a “balkanisation” model, comprising a large number of individually weak “nation states” of doubtful viability, is a desirable objective for policy, despite the strong thrust of international diplomatic conventional wisdom.

We have noted that in the last decade New Zealand's exports to the South Pacific islands have grown substantially. The trade “imbalance” which was two to one in New Zealand's favour before SPARTECA (designed to improve access to New Zealand and Australia for island exports) increased to three to one after it came into force in 1982-83. It seems abundantly clear that Australian exports to the region have grown dramatically too over the last two decades, while the number and activity of multinational corporations (often equivalent in power to medium sized countries) which have moved into the region have increased. More significantly, with the slowing down of the United States economy since the late 1960s, “global corporations” have emerged which have incorporated the South Pacific along with other regions in their field of activity<sup>2</sup>.

Clearly these significant economic influences have had major political consequences. Recently Tony Hughes has argued in “Independence for Sale” that a combination of domestic and

external pressures will draw the independence of island states (whether achieved or aimed at) out into an international marketplace in which “freedom of government action, access to natural resources and military bases are traded for money, goods and various forms of politico military assistance”. In this new situation the critical issues for the small states, he argues, are about<sup>3</sup>

“... the amount of independence they are prepared to market, the terms they can get for it, and the extent to which they can perceive, and protect, a mutual interest in the South Pacific region beyond their narrower national concerns.”

We have raised the significance of such issues as defence and fisheries which have international or geopolitical importance and which critically affect the independence of individual states, as well as raising the corollary issue of regionalism. Islanders have, of course, long since found out that the mere lowering and raising of flags have not led to financial or economic independence, and the ambivalence of development planning (section 16.17) shows that islanders have found it necessary to follow a course of ideological pragmatism. We have indeed argued (section 5.8) that too much emphasis on the dangers of “dependency” is not very helpful in a South Pacific setting, for island governments have found themselves able to accommodate the facts of life in order to avoid drastic and unacceptable reduction in living standards. Perhaps a “Costa Rican” situation provides a model. Regional cooperation would be gradually strengthened and although “dependency” would persist, there is the prospect of maintaining peace, stability, a considerable degree of local identity, and reasonable living standards.

It has been noted however that the comfortable, flexible conditions of the 1970s are now passing away the period in which the metropolitan countries have been ready to accommodate elastic arrangements that met the island states' need to feel, and as far as possible be, politically independent. A harsher reality<sup>4</sup> is, regrettably, more likely to ensue in the next decade:

“We are probably witnessing the start of the second ‘scramble for the Pacific’, just a hundred years after the first such carve up. This time populous and powerful Asian nations will join those of America and Europe, together with multinational corporations based around the world ... targeted on natural resource exploitation. At the same time the South Pacific peoples, rapidly increasing in number, bombarded by the communications media and bullied by the trades unions of metropolitan countries, have embraced aspirations that far outstrip the economic growth attainable from their own domestic resources. The South Pacific island states will be hard pressed to find the will power to resist the squeeze that will be exerted on them from all sides. It is quite possible that the next ten years will see most of the apparent political gains of the 1970s evaporating under economic and financial

pressures, and the emergence of a series of client states in the South Pacific, each beholden to one or more of the outside powers, just as effectively as they ever were in colonial days.”<sup>5</sup>

Already, disputes over fisheries rights, French nuclear testing, the recognition of nuclear free zones, research into deepwater seabed resources, and independence in New Caledonia promise a difficult future. If the above prediction is at all accurate, it will be important for New Zealand to protect as far as it can the small Pacific States, to encourage regional initiatives that might build up collective strength, and to provide friendly assistance to them as they try to cope with insistent external pressures. Indeed this makes it even more imperative, as we argued in Chapter 1, for New Zealand to renew the task of “working out a relationship” with the peoples of the South Pacific.

## CHAPTER EIGHTEEN REFERENCES

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- <sup>1</sup> The constitutional adviser to Niue, the late Professor R. Quentin Baxter suggested giving Niue a choice of what possibilities existed. He is reputed to have said "Let them get a taste of self-government". (Interview with Terry Chapman, May 1984). In discussion with Professor Quentin Baxter in September 1984, a week before his sudden death, it was clear that he was open minded about the possibility of the Niuean people wishing to explore other forms of relationship with New Zealand and that the present Niuean constitution by no means represented "a final answer".
- <sup>2</sup> Peter Rimmer and John Black, "Global Financiers, Consultants and Contractors in the South West Pacific Since 1970", Pacific Viewpoint, 24, 2, October 1983, pp. 112-39.
- <sup>3</sup> Tony Hughes, "Independence for Sale", in Ron Crocombe and Ahmed Ali (Eds.), Foreign Forces in Pacific Politics, Institute of Pacific Studies of the University of the South Pacific, 1983, p.250.
- <sup>4</sup> An interesting but ominous view is also taken by David R.W. Jones, "Pacific 2000 : another look at the future of Rim and Islands", Pacific Islands Monthly, 53, 1, January 1982, pp. 11-12.
- <sup>5</sup> Hughes (1983): 251.

## APPENDIX ONE

### COCONUT REPLANTING IN TOKELAU

Coconut palms reach maximum productivity at 20 to 40 years. It is estimated by the Director of Agriculture that up to 30 or 40 percent of the palms in Tokelau are 50 to 60 years old and are steadily declining in yield. Nukunono is worst affected by senile palms and overcrowding of palms is characteristic. It is important that the numbers of palms that are becoming senile and declining in yield be replaced by at least an equal number of new plantings. Thus the Department of Agriculture has launched a programme to replant at least 2000 trees per year on each island at a total of \$2000-3000 excluding wages.

The Department has a team on each of the three islands, comprised of four staff members and several casual labourers. The intention is that the Department will establish the nurseries and layout and the land owners will dig the holes and do the actual planting. However in collecting seed nuts for the nurseries the people chose nuts from trees that bore a large number of small nuts, whereas the Department sought much larger nuts, even if the number per palm was less. The plan is to space the palms at 21 x 25 feet, or about 80 trees per acre, on the assumption that this plantation model transposed from large islands would yield a larger supply of coconuts per unit area.

On Atafu a lot of thinning of palms has occurred on the islet of Telaulahi which was overcrowded and some planting has been done. A good deal of planting has been carried out on the private land of Teoki islet. In all, over 1000 trees have been planted since 1980.

On Fakaofu, one communal islet, Fenatatu has been replanted and Mulifanua has been started. The Department's only agricultural extension officer is based on this atoll and he has had a big impact. For this reason the programme has gone well on Fakaofu and between 3000 and 3500 palms have been planted to date.

On Nukunono only 500-600 trees have been replanted. The outboard motor on the new departmental boat has repeatedly broken down. The mechanic on the island could not repair it and after sending it to Apia for repair it continued to break down, requiring a new one to be purchased. This trouble involved a period of several months. However, the people of Nukunono have shown that "they are not interested" in replanting the communal lands. The Director of Agriculture appealed to the Village Council for support but "nothing has happened".

The Village Council could assist by telling the land owners to work with the departmental team, or it could ask the aumaga to do the work. The Director of Agriculture didn't really know why they haven't helped. He pointed out that the typical Tokelauan is a fisherman rather than a planter: "He assumes that coconuts will grow anyway, so there is no need to have a replanting campaign". The Director also thought that suspicion of the TPS was another reason for the lack of assistance.

The replanting campaign illustrates precisely how public service activity is viewed by the islanders: except on Fakaofo where an influential extension officer was based, the people were apathetic: since it was a large public service programme it warranted little concern or effort on their part. The TPS and its activities are seen as a thing a part, almost as if it is a foreign institution, devised and directed by Wellington, rather than a service meant to serve a public in the islands. The different views between villagers and the Department on seed nuts also illustrates the division, yet most Tokelauans would agree on the desirability of replacing aged palms with new plantings. When it was suggested that a completely fresh approach might be worth contemplating - of appealing directly to the Fono and enlisting their interest and their direction to the task of replanting - it was agreed that such an approach would in all likelihood, be successful. Responsibility for the task would be accepted by the Fono, it would become their scheme, and they would ask the aumaga to carry out the work. In such a way it is more likely that the full energies of the neo traditional system would be brought to bear and the Department would merely assist with inputs and technical advice where required.

It is possible however that scepticism by islanders of the Department's assumptions might not be ill founded. Thus while the wide, regular spacing of the replanted palms should give more nuts per palm, the much lower density of palms per hectare means that the total yield of nuts might be no greater than given by the large number of low yielding palms in typical village groves. Indeed the approach is not based on any trial plot experiments carried out in the Tokelaus. Indeed knowledge on ideal spacings and other aspects of coconut husbandry is extremely scanty on a Pacific wide basis and the Kiribati and Tuvalu coconut replanting programme has not led to an increase in yield from palms planted 12 years ago. It is argued convincingly by Trewren (1983) that nutritional deficiencies are a major limiting factor and that fertilisation with several nutrients would lead to a huge increase in yield. It is recommended that K. Trewren be invited to visit the Tokelaus to collect leaf material and soil samples for analysis and to advise the Department of Agriculture on replanting. With respect to replanting it is imperative that the Tokelauans avoid the many mistakes made in the ethnocentric, bureaucratic campaign carried out in Kiribati (see Section 9.10 above) and attempt to approach the problem by enlisting the interest of the Fono and working through the appropriate local institutions.



## APPENDIX TWO

### IMPROVED COMMUNICATION: THE CONSTRUCTION OF AIRSTRIPS IN TOKELAU

Improved communications has been seen as desirable in order to facilitate political development. Thus such a step as relocating the public service on the islands has been considered impracticable until communications are much better (Corner 1984: 27). It appears that the construction of three airstrips is contemplated for a land based air service. In November 1983 officials visited the three islands to undertake the necessary on-the-ground surveys and in the April 1984 Fono a debate was held on the proposal to go ahead with the airstrip construction. Only a brief note appeared in Te Vakai and the many considerations, both benefits and costs, of the proposals were not set out. It was, in fact, presented as an unmitigated blessing:

"Obtaining an airstrip will be a tremendous era as it will provide instant contact of Tokelau to its people living abroad. So let us hope and pray that God will be executing this hope in the near future for Tokelau as a whole."\*

The issue was discussed on the radio link with the Faipule. Fakaofu was most concerned at the loss of coconut palms and wanted consideration of an alternative site. Atafu was also concerned with disadvantages over the loss of palms but on balance favoured an airstrip. Atafu and Nukunonu saw the advantages of improved communication, such as facilitating the movement of patients to hospital in Apia, and inter island meetings of politicians and public servants.

However the unforeseen consequences of such a major innovation are likely to be great. While isolation might be a great handicap in many ways it has to date protected the islands from many undesirable influences. Once a regular air service is operating the islands will become part of the circuit of the international aid 'experts' and have to cope with their preconceived schemes that are rarely designed for atoll environments.

\* Te Vakai, December 1983: 3 4.



## CHAPTER SUMMARIES



CHAPTER 1  
NEW ZEALAND IN THE SOUTH PACIFIC

1. In 1962 Frank Corner argued for a major new basis and direction in New Zealand foreign policy, focussing more on the South Pacific. Twenty years later it is clear that the South Pacific should be one of the principal regions in the world requiring consistent in-depth analysis by New Zealand.
2. Planning the constitutional or political development of island nations should not be done in a vacuum, or as an autonomous exercise carried on largely separately from the economic and social basis of island life.
3. “Modernisation theory” was greatly boosted and given widespread credibility in the 1950's and 1960's, the period of decolonisation. It was believed that new countries could advance equally rapidly on all fronts - politically, economically and socially. This view of underdevelopment was simplistic, and too little attention was paid to the peculiarities of place, time and process, including the growing links between island societies and New Zealand.
4. New Zealand was acutely conscious of international pressure, and very concerned that its image at the United Nations (as a colonial power setting its dependent territories on the right path to self-government or independence) should remain good.
5. The evolution of a new kind of multinational society, with an economy based on reciprocal relationships among the dispersed members of kin groups, is the main trend of the past couple of decades in the five small countries studied. We have labelled this the “MIRAB society” (migration-remittance-aid-bureaucracy. New Zealand policymakers have not always appreciated the full implications of the existence of such societies.
6. South Pacific regionalism is important, but is still a fragile creation. Since the pursuit of nationalism in a narrow parochial way can weaken regionalism, some balancing of national and regional interests is required. However, the establishment of stable and contented island societies must be the primary aim.
7. The establishment of the South Pacific Forum in 1971 was a breakthrough in relationships that were often distorted by the old inequalities. The institution remains the best hope for effective regional action in the years ahead.
8. Corner found that New Zealand's administering attitudes had often been “muddled”. Although New Zealand's record in Western Samoa had been, on the whole, good, Corner pointed to five basic weaknesses. It would appear that some of these basic weaknesses still characterise New Zealand policy to some extent, although improvements have clearly occurred.
9. Work on island matters usually has low status in New Zealand government departments and is given low priority or done in an ad hoc way. A lack of continuity often still occurs.

Few staff in the Ministry of Foreign Affairs show long term commitment to South Pacific affairs, or desire to acquire a deep knowledge or linguistic ability. Many staff pass rapidly through a Pacific post to move on to “higher things” in more attractive postings in Europe or elsewhere. Persistence of dismissive attitudes in some Government departments suggests that New Zealanders continue to equate smallness with insignificance. It suggests that New Zealand does not fully accept that it is a part of the South Pacific or fully accept the requirements of its role in the region. It illustrates that New Zealand still has some way to go “in working out a relationship” in an effective way with South Pacific peoples.

10. Nine objectives of New Zealand policy makers are identified. Of these, the stability of island states and security of the region are probably the most important.
11. New Zealand has been most successful in the area of social policy. The social conditions established by New Zealand in the Cook Islands and Niue and since improved by the local administrations are unrivalled in the South Pacific.
12. The key questions about the future of the South Pacific hinge on the place of the region in world power politics and its degree of strategic importance in the Pacific Basin as a whole.

CHAPTER 2  
POPULATION AND SOCIETY

1. In 1981, there were 90,000 Pacific islanders residing in New Zealand.
2. The populations of our five small states total 91,000, or 125,000 if the populations living in New Zealand are included. 71 percent of the total Niuean community live on the mainland compared to 57 percent of the Cook Islands community and 57 percent of the Tokelauans. Between 39 and 44 percent of the communities living in New Zealand were born on the mainland.
3. All five of the small states are extremely small in land area; Tuvalu has only 24 km<sup>2</sup> of land and Tokelau 12.2 km<sup>2</sup>.
4. Three of the five small states are dispersed across vast ocean areas - Tuvalu covers 900,000 km<sup>2</sup> while the Cook Islands (1,830,000 km<sup>2</sup>) and Kiribati (3,550,000 km<sup>2</sup>) are the most widely dispersed countries in the world. This makes communication very difficult and sea transport very expensive.
5. Three of the five small countries have very high population densities by world standards - about one hectare of land per capita or less. In Tuvalu there is only 0.29 hectares per capita. Population pressure is very high in a few of the islands in Kiribati. The Tuvalu population grew by 42 percent from 1972-81, and it is feared that the Kiribati population has recently grown substantially.
6. Since World War II several island groups have been integrated more fully into the New Zealand economy and the main growth pole for the central South Pacific has been located in New Zealand. In this period the mobility of islanders has greatly increased; they have come to see that their old island no longer confines them, their new "island" is the whole South Pacific.

## CHAPTER 3

### DECOLONISATION AND NATIONHOOD

1. Decolonisation was only the latest of a series of externally inspired and directed processes of social engineering in the Pacific. The evolution of political institutions has not been closely related to, or based on, the underlying social and economic forces at work in the islands. Nor should we accept without severe qualification the suggestion that the modern constitutional order originated in “the freely expressed wishes of the Island people”, which it did not.
2. The post colonial political order has nevertheless turned out rather different from some of the expectations held by New Zealand policymakers of the 1960s. There has been a mutual accommodation between Westminster institutions and Island realities; outside political reformers were usually content to change the forms of political life without mounting any parallel attack on the key elements of the social and economic “base”. It is therefore inappropriate to see the Islands as passive or “dependent” victims of New Zealand's policy dictates. Political development has been an authentic feature of the past three decades.
3. Strictly, “decolonisation’ means merely the end of colonialism. In practice, however, it has meant the implementation of the nationalist programme developed by Asian and African liberation movements, and espoused from 1960 on by the United Nations General Assembly, particularly in Resolution 1514 of 1960. The more flexible Resolution 1541, passed at the same time, opened the way for the concept of “free association” as an alternative to full independence, but the winds of international diplomatic opinion strongly favoured the latter course.
4. The New Zealand Government at an early stage set its sights on “free association” as the best answer to the decolonisation problem in the Cook Islands, Niue and Tokelau. Since 1962, the aim of New Zealand officials has been to persuade the inhabitants of those territories to opt for this solution and to eschew alternatives. The argument has rested heavily upon the alleged unattractiveness of those alternatives: full independence, because of the loss of prized links to New Zealand; integration, because island identity would be submerged; and colonial status because of international hostility to colonialism.
5. It has been common to conceive of the various options as lying along a single continuum, from “colonial” status to full independence, so that “free association” could be seen as a halfway house. An alternative way of viewing the choice is to treat the four main options as points of a political compass. This has two important corollaries. In the first place, each general alternative is recognised to cover a wide menu of possible specific outcomes. (For example, integration could take the form of a unitary state without local autonomy, or of a federal arrangement with substantial local governmental autonomy.) In the second place, a community which sets its political course towards “free association” is not thereby necessarily heading towards sovereign independence. This latter point has commonly been missed by New Zealand commentators, including many in the Ministry



of Foreign Affairs. There is a tendency in the MFA to treat freely associated states as though they were independent.

6. “Free association” is nevertheless an ambiguous status, resting as it does upon a special relationship freely agreed between two communities, which can last only so long as both partners are willing. Either partner can unilaterally put an end to the association.
7. Integration as an option for New Zealand's dependent territories has been ruled out primarily by domestic New Zealand political considerations, and has never been seriously discussed with the Island countries, some or all of which could well have been interested in joining a loose federation with New Zealand. New Zealand officials have rendered integration unattractive by insisting on a narrow and extreme reading of the letter of UN Resolution 1541.

Soundings taken in the Cook Islands, Niue and Tokelau in April-May 1984 indicate that integration should not be overlooked as a possibility for the future, although the Cook Islands elite, in particular, are currently pursuing a different course.

8. During the decolonisation discussions of the 1960s and 1970s, rejection of full independence as an option was virtually unanimous in the New Zealand dependent territories. The reason was that the island communities wished to retain New Zealand citizenship and financial support. The limits to their freedom of action were therefore set by the limits of New Zealand's tolerance. As the dominant partner in the relationship, New Zealand has failed over the past decade to give clear signals as to where the limits of that tolerance actually lie, and has ostentatiously refrained from putting any obstacle in the way of a transition to full sovereign independence for the island communities.
9. The transfer of responsibility for relations with freely associated countries and dependent territories from the Department of Island Territories to the Ministry of Foreign Affairs in 1974 was a major pre-emptive change in the constitutional status of those communities, undertaken as the result of discussions between the New Zealand Prime Minister and Premier Albert Henry of the Cook Islands. The other two communities affected Niue and Tokelau appear not to have been consulted on the change, nor were their reservations about it given much attention. The main problem with the change was that it amounted to a unilateral abrogation by New Zealand of assurances given over the preceding fifteen years, that “special relationships” would remain “special”, and that freely associated states would not be treated as fully independent from New Zealand.
10. The administrative change of 1974 was accompanied by a change in the declared nature of New Zealand budgetary support. Instead of an ongoing assured subsidy to island living standards (which had been the original thrust of this financial assistance) it was now relabelled “development aid”, and New Zealand officials began to promote the idea of it eventually withering away, as island economies became “self-reliant”. This clearly-expressed shift in New Zealand expectations placed upon the governments of the Cook Islands and Niue tasks which they were ill-equipped to perform, under conditions which rendered “self-reliance” a quite unrealistic goal in any case.

11. The essence of “self-government in free association” is the ambiguity of the concept, which renders it flexible and enables both partners to evade the clear resolution of difficult issues. There is, however, a strong onus on New Zealand as the dominant partner to give clear signals as to where the limits are to be drawn, rather than waiting for one or other of the associated governments to overstep the mark.
12. There is nothing written into the Constitutions of Niue or the Cook Islands which would serve to define the boundary between “free association” and sovereign independence. Proposals made by the original constitutional advisers for the inclusion of formal links between the island legislatures and the New Zealand Parliament, either by inclusion of Islands' members in the latter, or by the establishment of a special select committee to deal with island affairs, were overlooked or overruled in drawing up the constitutions. The special relationship is thus an informal contract. The 1973 Exchange of Letters between New Zealand and the Cook Islands provides only the most loose and unspecific ground-rules.
13. Case studies of some issues on which New Zealand and the Cook Islands have clashed recently - Taiwanese fishing deals, ACP-Lomé, and the International Coffee Agreement - indicate the ongoing reality of the special relationship as a discretionary power held by New Zealand to reign in the Cook Islands Government on international affairs issues. The key issue, clearly, is not whether or not the Cook Islands may acquire a distinctive personality of its own. The question is whether that personality is one New Zealand feels able to live with in a special relationship. Parallels (though not exact ones) may be drawn with the United States attitude to small nations in Central America under the Monroe Doctrine. In the Cook Islands case, thus, the concept of free association is evolving rapidly towards de facto full independence.
14. It would be helpful if there existed a direct link between Island governments and legislatures in “freely associated” states, and the New Zealand Parliament. This could be done by establishing a special Select Committee to deal with Islands affairs. The aim of the change would be to give Island countries in free association some clear formal status in the formation of New Zealand policy on relevant issues, and at the same time to give New Zealand legislators clear rights (and the opportunity) to enquire into events in the associated states.
15. In designing and implementing any such change, it will be important to recognise the major differences among the small states. Tokelau, for example, cannot be treated as identical to the Cook Islands. Similarly, if a decision were made to bring Tuvalu into the group of states “freely associated” with New Zealand, the constitutional underpinnings should be negotiated and agreed at an early stage.
16. New Zealand has a poor record in the field of constitutional innovation. The decolonisation experiments have been hindered by inflexible and uncreative attitudes among those responsible for drafting constitutions and establishing institutions. US officials in Micronesia, and Australia in the case of the Cocos Islands, have shown both more aptitude and (given the different constitutional settings) more scope for lateral thinking.

17. Inflexible and inappropriate New Zealand attitudes are most clearly seen in Tokelau, where they have come up against sustained opposition from the local leaders. New Zealand reluctance to address radical restructuring of the Tokelau Public Service, and insistence on the doctrine of separation of powers in a community of 1,700 people, seem to flow from a preconception that Tokelau will follow Niue into “self government in free association”. The signs are, however, that this is not the desire of the Tokelauans.
18. Niueans, having insisted in the 1960s and early 1970s that “self government in free association” should not be allowed to slide across into full independence, were unable to make much impact on the institutional design of their new state, but did succeed in obtaining constitutional status for the economic base of their MIRAB society. This second best solution now effectively ties the hands of policymakers in relation to public finance and public sector employment levels.
19. The Cook Islands elite have identified and occupied a niche in the murky zone between “self government in free association” and “sovereign independence”. The label “independence in free association” is appropriate. The key historical moment was the 1973 Exchange of Letters between Prime Minister Kirk and Premier Henry. The Exchange is notable for the vagueness with which Cook Islands freedom of action in international affairs is confirmed. Two obvious gaps in the agreement relate to the possibility of diplomatic posts of other countries in Rarotonga, and the question of overseas borrowing by the Cook Islands Government.
20. If New Zealand does not stand ready to underwrite large-scale, and possibly unsustainable, foreign borrowing by the Cook Islands, this needs to be spelt out clearly and publicly, since assurances given by New Zealand spokesmen during the decolonisation phase included a willingness to bail out the Cook Islands in the event of major problems arising.
21. Rather than reliance upon supposedly universal doctrines, what is needed in New Zealand policy towards its associated states is a quest for appropriate policies for the special case. New Zealand's national self interest certainly must enter into that quest; but since the Island peoples involved are New Zealanders, there is no necessary contradiction. Indeed, far from “dependence” being a pathological condition, it could be said that it is policies aimed at reducing “dependence” which have posed the most immediate threat to the interests of these peoples.
22. Neither Tokelau nor Niue fulfill the minimum conditions for viable nation states. New Zealand support for balkanisation in the Pacific has been ill-advised, especially in these two cases. However, before Tokelauans or Niueans are pushed to redefine their constitutional situations, there needs to be a decision by New Zealand whether political integration, even on a limited and flexible scale, is on or off the agenda for debate.
23. There is no provision in the Cook Islands or Niue constitutions for any constitutional review after some specified period of experience with the new order. Nor is there any provision giving New Zealand the right to initiate, or participate in, such a review. The reality, however is clearly that Island leaders would respond positively to a declared New

Zealand interest in reviewing the social contract of free association, provided that New Zealand was not seeking unilaterally to abolish it.

24. Tuvalu's move to full independence in 1978 resulted from three main forces : the British desire for decolonisation, the Tuvaluan expectation that an independent state could secure more aid than a colony, and the strong self interested push of a small political elite. Experience since 1978 suggests that free association may prove a more sustainable long run status than independence, and New Zealand should consider the possibility of offering Tuvalu similar status to that now enjoyed by the Cook Islands.

## CHAPTER 4

### AGRICULTURE AND THE VILLAGE MODE OF PRODUCTION

1. The performance of agriculture in the whole South Pacific region in the last two decades is typical of aid and remittance led economies – per capita agricultural exports have stagnated or declined for most countries, and the range of products produced has narrowed rather than diversified.
2. The declining value of agricultural exports (and rising food imports) are symptoms rather than causes of fundamental changes in island economies. Rather than blaming such trends on the failure of agriculture, it is necessary to view agriculture and rural development as part of a much broader economic structure.
3. The apparent lack of effort by islanders sometimes leads to crude ethnocentric allegations that “the Islander is lazy” - a charge that is untrue and unfair. The problem lies in the alternative choices facing the villager and the broad economic environment in which he now lives.
4. The failure of agriculture is not primarily an agronomic or marketing problem. It is primarily a production problem that is essentially economic.
5. Pacific Islanders can be characterised by “subsistence affluence” - i.e. they can produce as much as they can consume of their normal (staple foods with the employment of only a small part of their total land and labour resources. This production may only require about 3 hours input per day or a little more to produce a cash crop or a surplus for sale. The level of subsistence affluence is such that village producers will give up production of a cash crop if the price falls below the minimum deemed acceptable.
6. The characteristics and problems of modernising the “village mode of production” are identified. The main concern of people in the village mode of production is security and market production is only one of a number of competing goals. The production system is enmeshed in many socio-cultural factors, inhibiting efforts to lift production.
7. A more powerful explanation for the stagnation or fall of agricultural production than subsistence affluence, or the village mode of production, can be attributed to the evolution of mirab economies with the substantial flows of capital, labour, skill and enterprise moving between the islands and metropolitan countries. In this changing economic environment, autonomous economic growth has become steadily more difficult as greater priority has been attached to the flow of aid moneys, remittances, the growth of (tourism and other invisibles and as the pole of economic growth has been seen ever more clearly as lying not in the islands but in the metropolitan country.
8. The South Pacific Agricultural Survey recommends the plantation mode of production as the most promising for the future in order to avoid the low motivation of individual households in the village mode of production. This involves plantation management, to achieve economies of scale, but the mode can include smallholders as in a public

corporation, or a nucleus estate etc. An “emerging smallholder plantation mode” that could bring modern management to groups of smallholders in units of say 50 hectares might be possible in areas like Rarotonga. The better Maori Land Incorporations also provide an interesting model. The plantation mode must, however, be shorn of its colonial origins and ownership pattern.

9. The needs of governments and of individual households often differ markedly. In open market economies the success of governments in carrying out an agreed “development” policy - even if the political will exists - is very slight. A big difference remains between development policy and the development process as it actually occurs.

## CHAPTER 5

### DEVELOPMENT, DEPENDENCE AND VIABILITY

1. The small countries studied have most unusual economies characterised by : (1) “subsistence affluence”, with a floor on real incomes provided by an integrated, non-capitalist form of natural economy; (2) non-capitalist family enterprises which dominate the economic structure and are diversified on a transnational basis mainly through labour migration and the substantial flow of remittances; (3) the small states have moved from “self-sufficiency” to “import dependence” over the past three decades; (4) the islands are an unsuitable seedbed for capitalism because of small size, openness, strength of the natural economy and the relative-price situation.
2. New Zealand policy which has been based on economic analysis of geographically-bounded political units has had an unsound foundation.
3. Policies of “economic development” aimed at growth and diversification of GDP by promoting “viable” projects have misunderstood the nature of the economy in the islands, leading often to failure of the projects. The Team believes that this is not the correct objective for economic policy.
4. Currently two strong sets of disincentives to increasing commercial production, characteristic of rent-led economies, prevail: increases in productive income in the islands can lead to reduced levels of aid from the donor; and the prevailing relative-price regime makes onshore commercial production activity in the islands unprofitable compared to the mainland.
5. Large-scale commercial ventures are now promoted by bureaucrats, not by capitalists in search of profits. Moreover the resulting economic activities have relied for their profitability upon high levels of government subsidy and intervention, and have failed when official support was not sustained.
6. Policy making is often based on false stereotypes of Pacific Islanders. The islander as an economic agent is extremely flexible and adaptable, sometimes depending on many different sources of income and accustomed to performing a wide range of social, economic and cultural roles. With rapidly diminishing returns specialisation to and division of labour, the multi-role individual thrives.
7. In the last 30 years ideas of the “modernisation school” have dominated thinking on development. This school believes that advances can and should occur on several fronts, economically, socially and politically. But real-world experience suggests that (i) increased commodity production, (ii) standard of living, (iii) political advances in the working of democracy, (iv) social cohesion, (v) diversification of the economy and society and (vi) protection or improvement of the environment are not necessarily all enhanced at the same time: progress on one or two of these fronts may be made at the expense of some of the others. Choice of policy depends on which of these goals have greatest priority, given that trade offs will often occur among them.

8. New Zealand's policies in the Cook Islands and Niue have been a successful example of “colonisation by the welfare state” as a result of the operation of a set of paternalistic (hopefully now “fraternalistic”) policies. Commodity production has had lower priority than maintaining high standards of welfare, political “modernisation”, social cohesion, economic and social diversification and environmental protection.
9. Growth of commodity production on any scale could only be achieved at the expense of social cohesion, individual freedoms and probably environmental degradation. The goal of self-sufficiency is policy unrealistic. Once self-sufficiency is admitted to be unattainable the goals of policy become social rather than economic - a point of view taken in the Belshaw Stace Report of 1955.
10. It is wrong to use a nationalist model to analyse a Pacific small state's development when it is clearly a variant of the mirab economy. Geographically restricted definitions of development make sense only if we are promoting a closed economy (with a kind of “Berlin Wall” around it). Maintenance of New Zealand citizenship and free movement of labour from the islands to the mainland run counter to the nationalist model of development fostering “self-reliance”.
11. All five countries exhibit large commodity trade deficits in the early 1980s, varying from 77 percent for Kiribati in 1980-83, and up to 96 percent for Tuvalu in 1979-82.
12. There is no crisis of trade dependence in the islands. The “widening of the jaws” between imports and commodity exports in Figs. 5.2 - 5.10 is driven not by fiscal expansion based on overseas borrowing, but by the growing wedge of invisible current account inflows on the balance of payments - essentially overseas aid, remittances and tourism.
13. Seen from 1984 the situation is that commodity export earnings can never “catch up” with imports unless aid remittances and tourism disappear.
14. The evolution of mirab economies has in fact involved drastic restructuring, with resources being reallocated from less efficient uses (in the islands) to more efficient uses (on the mainland). The New Zealand policy response has been to attempt to revive dying sectors and attract reallocated resources back to less profitable activities.
15. The thrust of much aid policy in recent years has been to argue for increasing island commodity exports, in the teeth of hostile market forces, largely to reduce the New Zealand Government's deficit by cuts to the aid vote or to permit aid moneys to be reallocated elsewhere. The Team questions the logic and wisdom of this policy.
16. The most promising economic strategies for mirab economies are: (i) promotion of philatelic-type sources of rent (or “hiring out” the identity of the country to a world market); (ii) access to offshore labour markets for migrants with freedom to transmit remittances; and (iii) increased levels of direct consumption subsidies from donor economies.



17. Niue appears to be a society whose current cash needs are over-financed relative to absorptive capacity, since private sector savings are transferred to the mainland. (It is a MIAB rather than a MIRAB economy).
18. In the Cook Islands, the invisible categories philatelic, tourism, remittances and “aid” come to four times the income from commodity exports. On Niue the ratio is ten times; in Kiribati four times, in Tokelau seven times, and in Tuvalu 45 times.
19. Aid to the mirab societies should be renamed “subsidies”. There is a fundamental distinction between the use of subsidies to maintain an otherwise unsustainable economic structure, for reasons of social policy, and the injection of “development aid” in the form of investment projects to establish new ventures which are thereafter supposed to pay their way. The danger is that this distinction will not be recognised.
20. Policies designed to “reduce dependency” in the Pacific small states are as misplaced as “modernisation” approaches. There are many positive features of “dependent development”. The nationalist argument that the key to improvement is to abandon or modify the linkages to the metropolitan power in order to reduce dependence is false for the five states studied; indeed they derive very substantial benefits from these linkages as the popularity of New Zealand citizenship indicates.
21. The Cook Islands and Niue have an extremely high standard of services and social infrastructure and a high quality of life for their populations. These are societies in which onshore production has been almost static over the long run, yet there has been a huge leap in living standards over the last 30 years, thanks to close integration economically and socially with the New Zealand economy, and the benefits of the “special relationship”. Indeed there is little sense in using the word “underdeveloped” to apply to these societies.
22. Hayes' data on islanders' earnings, remittances and taxation in the period 1967-76 show that Cook Islanders as a community more or less “pay their way” - they are not a burden on the New Zealand taxpayer. The main beneficiaries of any process of “reducing dependence” in the islands are not the islanders, but the New Zealand taxpayers.
23. There are substantial advantages in shifting the flow of financial assistance from the present channels into producer subsidies, but this merely changes the form, rather than the substance, of so-called aid “dependence” - it does not relate to any goal of “self-reliance”.
24. Dependency does not matter for the small states. The benefits flowing from dependency (aid, remittances, security of market access, migration opportunities) outweigh any disadvantages of the feedback onto local production. Just as Costa Rica is an example of successful dependent development (producing reasonable living standards, peace, stability, democratic government and personal freedom) unlike other Central American dependent economies, the mirab economies of the South Pacific are also successful examples of dependent development.

25. It would be possible to sacrifice living standards through the single-minded pursuit of autonomous development and self-sufficiency by eliminating or reducing aid (the possible Tuvalu experience). In practice, this would not however be politically feasible and it would greatly lift out-migration to the mainland where this is possible.
26. While the elimination of dependence is neither desirable nor feasible, one line of thinking suggests that the benefits of dependence can be retained while some economic restructuring, providing additional benefits, are added on. Another alternative is to restructure the links of dependence so that more aid comes into the dependent economy via producer subsidies and less via bureaucratic salaries (i.e. transform the society from a mirab to a MIRASP basis, with subsidised producers replacing bureaucrats). This has considerable appeal for both Niue and Tokelau (in the latter case a beginning has been made with the Community Services Levy). Dependence upon producer subsidies is felt to be preferable to dependence upon public service salary supplements, partly since producers are more “socially useful” than bureaucrats, and partly because increased commodity exports, while subsidised, take some strain off New Zealand taxpayers.
27. The history of the Pacific Islands Industrial Development Scheme (PIIDS) shows that while it has provided New Zealand with good political propaganda, the islands' economies have shown their very limited capital absorption capacity. In over seven years of sustained promotion it has been possible to spend only \$1.3 million, since few commercial “winners” in the mirab economies have been identified. The Cook Islands and Niue have absorbed only \$209,000 and Tokelau and Tuvalu have attracted no projects at all.
28. New Zealand policies towards the islands are designed within the framework of a prevailing official culture within which solutions are sought to policy dilemmas. This body of conventional wisdom makes use of many prevailing international dogmas about “development”, “self-reliance”, “viability”, “dependence”. Officials communicate more with themselves than with outsiders who see the world in different ways and lean towards policy proposals which to the official mind are “not on”.
29. Throughout the Pacific there are two essentially different conceptions of “development”. The first, the dualist approach, seeks to build a superior modern sector which expands and transforms society while the inferior traditional sector in theory is meant to wither away. Unfortunately in reality many small Pacific Islands states are too small or unattractive from a capitalist viewpoint to enable the establishment of a vigorous modern sector. It does not expand and dualism becomes entrenched, with the traditional not withering away (e.g. Tuvalu). Moreover in some circumstances the “modern” may be inferior to the “traditional”.

The second approach sees the existing village economy as the permanent core of island life, and “developmental” activities are judged by the extent to which they contribute to supporting and enriching village life.

Many development approaches fail to distinguish between the two and confuse and mix the two.

30. Apart from Papua New Guinea, the Solomons and perhaps Fiji, the Pacific states appear to be too small for the dualist approach to work, via displacement of the village economy by large scale commercial projects in a setting where commodity production is inherently unprofitable. In practice the New Zealand-linked mirab economies have established the “modern sector” of their dual economy on the New Zealand mainland rather than in the islands.
31. There is a risk in such small economies with so many responsibilities and powers placed on their governments that ambitious bureaucrats and politicians aided by international aid agencies will push these countries into large scale commercial ventures which turn out to be permanent loss makers (e.g. Tuvalu tuna fishing schemes of 1980-82, and the current Cook Islands wood fuel electricity scheme).

## CHAPTER 6

### THE COOK ISLANDS

1. The dominant characteristic of the community is its close and organic integration with New Zealand; top priority is accorded to the retention of these social and economic links. New Zealand Government policy, faithfully echoed in the islands, has paid lip service to this close integration but has failed in practice to recognise its real consequences and implications.
2. New Zealand has tended to assume that there is no durable identity of interest between Cook Islanders in New Zealand and those in the islands. No institutional or policy structure exists in New Zealand to encompass the interests and issues of Cook Islands society as an organic whole, as one community.
3. Since the Second World War the most pronounced characteristic of Cook Islands society has been its extreme mobility and its progressive proletarianisation, mainly via migration to New Zealand.
4. Cook Islanders affirm strongly the indissoluble nature of the link with New Zealand. Any political or economic policies which were believed to threaten the link would be rejected out of hand.
5. A great flow of resources, reaching over \$4 million in 1983, comes back to the islands as remittances, together with equipment, trucks and the like. Islanders expressed their side of the reciprocity relationship with food, flowers, tere parties, visiting, and in other ways. The reciprocity relationship represents an investment both in the islands and in New Zealand and a “transnational corporation of kin” has evolved maintaining long-distance relationships of production, income, investment and resource allocation.
6. In recent times, the earlier “hyphenated culture” of people shaped by “native trader mission official” culture has evolved into a “MIRAB society”, shaped by the MIRAB economy. This society and economy has quite distinctive characteristics of its own and its economy behaves in quite a different way from a classic colonial export economy.
7. From at least the 1920s to 1974, successive New Zealand Ministers of Island Territories took it for granted that the achievements of the welfare state in New Zealand should be extended to the peoples of the New Zealand dependent territories. The Cook Islands (and Niue and Tokelau) were “colonised by the welfare state”.
8. The Cook Islands MIRAB economy has thus been able, through the link with New Zealand, to “leapfrog” the classic “stages of development” almost to the “stage of high mass consumption”. Thus the society of the Cook Islands does not exhibit (and cannot be expected to exhibit) most of the familiar characteristics of “underdevelopment”. In effect the Cook Islands are an off-shore New Zealand province and continue to share in the values and expectations of their mainland-dwelling fellow citizens.

9. Following the great migration process of the 1960s and early 1970s involving demographic transition and labour export, the present situation is one of stable equilibrium, partly reflecting the global recession and absence of employment opportunities on the mainland. If economic growth were to resume in New Zealand there could well be a resumption of in-migration. There are presently 24,000 ethnic Cook Islanders in New Zealand, of whom 14,000 were born in the Islands. The 1981 population of the Islands was 16,435.
10. In the context of the New Zealand economy of which the Islands form an integral part, local productive activities generally suffer from absolute disadvantage and hence are unable to offer employment on terms which might have been attractive to skilled Cook Islanders. Hence migration and declining production are the two faces of the one coin; it is not possible to assert that either “caused” the other.
11. Increasingly in the last three decades the thrust of official policies on economic development has been to encourage commercial onshore production. The consistent failure of “development” conceived of in this way has led to official perceptions of the economy as “fragile” and “unstable”. Since the conception has been inappropriate neither of these terms applies to economic reality in the Cook Islands.
12. Transport modes and schedules are adapted to the encouragement of tourism and imports rather than commodity exports, and transport bottlenecks play a large part in leading to the pessimistic expectations of export producers or serving as a disincentive to potential exporters.
13. Although private sector unions have been almost entirely suppressed, the low-wage environment does little to assist achieving good profit margins in the private sector, since there is an absence of a reserve army of labour, with only unskilled and relatively low-calibre workers available for recruitment.
14. Commercial activity is mainly concerned with trading activities, tourism services, and exploitation of short-run, short-lived opportunities offered by recurring cycles of export production from the agricultural sector. The latter is the basis for the emergence of a small class of full-time horticulturists, but their numbers are small and there is no prospect of a wide agricultural transformation.
15. The overall economic and social picture is thoroughly satisfying: living standards are comfortable and very good by comparison with other South Pacific countries; subsistence agriculture has remained sound; destitution is virtually unknown; standards of education and health are somewhat lower than in mainland New Zealand, but are generally satisfactory. The value system is still strong and the local culture has largely escaped the fate of the money swamped societies of French Polynesia or Nauru. Self government has succeeded in providing a functioning and locally directed administration.
16. The main local problems - political factionalism, Air New Zealand obduracy, competition from Asian canned pineapple and the rather lagged impact of the New Zealand inflation rate - are rather minor compared to the impressive achievements.

17. The present economic system rests on three main pillars - New Zealand citizenship, New Zealand aid, and tourism. All appear solid and sustainable. The first two cushion the Cook Islands from the instability which is characteristic of a number of other Pacific economies.
18. A great deal of attention is paid by policymakers and observers to one of the less important and least successful sectors of the economy - export agriculture. Its performance is usually incorrectly misread as an indicator of the "health" of the overall economy.
19. Between 1945 and 1971 there has been a structural transition from a "producing" to a "service" employment structure. Since 1971 there has been stability in the share of tertiary employment.
20. In terms of regional economic disparities within the Cook Islands, or Rarotonga compared to the outer islands, there has been no change over the last decade. Rarotonga has about 54 percent of the total population.
21. The Cook Islands no more suffers from any foreign exchange deficit in its dealings with New Zealand than do Masterton or Kaitaia in their dealings with the rest of New Zealand.
22. At the end of the 1960s, commodity exports dropped out of the group of leading sectors driving the Cooks Islands economy, leaving the economy to be driven through a further decade of rapidly rising living standards by government spending, remittances, and a new source of "invisible" earnings, tourism.
23. The Cook Islands economy is now in a state of stable equilibrium, which can be sustained for as long as the five props of material living standards - subsistence agriculture, commodity exports, tourism, remittances and government transfers - remain.

Changes in any of these would induce a series of adjustments in the economy. The main adjustment mechanisms of concern to policy makers are:

- (a) Out migration
- (b) Decline of subsistence agriculture
- (c) Further decline in export performance
- (d) Financial crises for Cook Islands Government if its attempts to stem (a) (b) and (c) outrun the willingness of the New Zealand Government to pay the additional sums required.

In all four cases the adjustment is also reversible.

24. Following the opening of the new airport in 1974 there has been a considerable increase in the airfreighted export of fresh fruit and vegetables.

25. There has been reasonable success in the development of the apparel industry which depends essentially on a combination of New Zealand Government policy and the marketing strategies of a few large New Zealand companies. Firms such as Woolworths/McKenzies operate a “putting out” system of production in Rarotonga. The keys to profitability in the clothing industry are the landed cost of cloth in the Cook Islands and labour costs (substantially below those on the mainland). The apparel industry has a 1983 export value of \$2.5 million which translates to roughly \$650,000 retained in the Islands. Restrictive practices in New Zealand and distance are the limits on the market for Cook Island producers.
26. The peak level of export earnings achieved round 1965-1970 of around \$10 million in 1982 dollars is probably the maximum attainable from the country's natural resource-based production, in the absence of radical changes in land tenure and technology. It is unrealistic to think of export earnings rising anywhere near the current level of imports (roughly \$30 million).
27. The characteristics of the mirab economy have undercut interest in and sustained motivation toward agricultural production. Part-time agriculture is characteristic on the major islands. There has been limited availability of long-term credit. There has been a heavy dependence in the past on bulky perishable agricultural products, often products that deteriorate with handling and poor shipping services, leading to waste and the expectation of waste on the part of growers.
28. Heavy subsidies on freight costs have resulted in economic distortions, such as growing crops whose prices do not even cover true transport costs.
29. The Citrus Replanting Scheme laid the basis for heavy involvement by Government in production and marketing and left for the future the important question of how and when the grower was to assume actual control.
30. The Cook Islands have come only a poor fourth in pineapple imports to New Zealand, being unable to compete with other countries because of lack of economies of scale and the persistent transport problem. The debacle of the Kia Orana processing factory, the successor to Greggs, has been due to low throughput, low quality fruit and high transport costs.
31. Estimates for pineapple production give a net profit of only \$85 per acre annually. Non-subsidised production of fruit for processing would produce an annual loss of \$120. Yet in a regional sense pineapple production is important for the islands of Mangaia and Atiu.
32. Banana production depends on maintaining a delicate balance with New Zealand imports from the Philippines and Ecuador. The excellent phosphate-rich soils of Aitutaki are ideal for production but the absence of a harbour is a major problem, together with the lack of consistent, long-term encouragement by the New Zealand market. A bumper harvest of fruit leads to a great increase in wastage in loading vessels. A considerable degree of subsidy is built into the banana industry.

33. In recent years there has been an encouraging rapid development in air freighted export of pawpaw and winter vegetables. When the 747 jet replaced the 737 the volume exported doubled. Although the quality of the pawpaw is excellent the flight to New Zealand is on an inappropriate day, leading to deterioration of the fruit, or the picking of green fruit. Without the weekend delay fruit would fetch \$16-\$20 per carton instead of the present \$10-\$12.
34. It is believed that Air New Zealand flights are planned to suit the interests of the airline. Little account appears to be taken of the needs of agricultural producers and much waste can occur. Rarotonga airport was built solely with tourism in mind; thus cargo space is grossly inadequate for handling trailer loads of pawpaw. Trailers of fruit lie may in the sun for hours; fumigation and cargo storage should be under one roof.
35. There appears to be room for considerable expansion yet of air freighted produce. Closer evaluation of the need and the economics of alternative available transport planes is required.
36. Processing technologies are needed for very small volumes of input of fruit, probably produced almost entirely on Rarotonga.
37. Often “bench scientists” have been sent to the Cook Islands to do a broad spectrum advisory job. There has been a serious omission in the area of agricultural economics, and misleading estimates of likely rates of return have resulted.
38. The massive importance of social factors and the ability of Cook Islanders to achieve great savings for community purposes is illustrated by the current construction of a huge hall in Amuri village Aitutaki, costing \$100,000. \$75,000 came from donations from relatives in New Zealand and \$25,000 from the local community of 300 (about \$500 per household).
39. Government expenditure in real terms increased five-fold in the 20 years after the Second World War, reaching a peak in 1965. Since then there has been no further expansion of government expenditure. This stagnation is due to the limited local revenue base and steady decline from 1970 in the real value of New Zealand budgetary support grants.
40. The drive of Cook Islands governments of both parties to reduce so-called “dependence” upon New Zealand grants has had the remarkable result (in view of the fall of export income and emigration of productive age groups) of raising local revenue from 44% of expenditure in 1966-70 to 63% in 1981-84.
41. New Zealand policy provides no incentive for a continuing drive for self-reliance, in that the record suggests that New Zealand in effect subtracts a dollar from the grant for each additional dollar of revenue raised by the Cook Islands Government.
42. Since incomes derived from government expenditure have not risen over the last two decades, the rapid rise in imports in the 1970s must have been powered by private sector



incomes, not public sector ones. Government has thus been a lagging rather than a leading sector in real income growth during self government.

43. In nominal dollar terms Cook Islands Government expenditure has risen nine-fold between 1964-84, while the New Zealand grant has increased five-fold, from \$1.5 million to \$8.4 million. This is the basis for attributing crises in the cash flow of the Cook Islands Government to extravagance, and for New Zealand finding it easy politically to reduce its subsidy. But in real terms Cook Islands Government spending has not increased and New Zealand budgetary assistance in the second half of the 1970s has fallen.
44. The Cook Islands public service expanded rapidly in the last years of the New Zealand administration and then was cut back significantly in Albert Henry's early government years. From 1967-81 there has been a slow overall increase of 10 percent over 14 years.
45. Real export earnings in total until recently have been remarkably stable, while the relative importance of individual products changes rapidly. It would appear that changes in resource allocation as relative opportunities shift play a major part in the rapid changes of fortune of different export products. Considerable importance is attributed to changes in government policy and priorities in promoting commercial activity.
46. Visible trade statistics are quite inadequate as analytical tools in the modern Cook Islands economy. Three "invisibles" of balance-of-payments inflow (remittances, philatelic revenues and tourism) largely explain the rapidly increasing import demand of the 1970s. Available data suggest that by the 1980s remittances financed 14% of total imports, tourism 27%, philatelic revenues 3%, and New Zealand financial assistance 37%. Visible exports had sunk to a level that financed only 20% of imports.
47. In the late 1940s "aid" and remittances already financed half of the group's imports and other debts. This proportion still holds in the early 1980s. After 1959 the leading sector of commodity exports began to decline steadily, dropping from a level of 52 percent of "financing" the balance of payments in 1955-59 to 19 percent in 1980-83. Remittances have remained steady at 12-14%, New Zealand "aid" has dropped back from 44-46% in the 1960s to 37% in 1980-83, while the dynamic new source of financing has been tourism (rising from 2% to 27% in 1965-69 to 1980-83).
48. The Cook Islands economy is not confronted by any pressing economic crisis, and would only be faced with a crisis if the link with New Zealand were broken. Much official thinking on both sides is dominated by concern for the dependence of the Cook Islands on New Zealand and the necessity to reduce that dependence. But reduction of dependence could only be achieved without the special relationship and this would involve a harsh reduction of living standards below the level that would be considered acceptable.
49. In its steady advocacy for "development", New Zealand leaves itself open to the charge that the possibility of abrogating the special relationship is being kept open as a permanent policy option.

50. A community permanently under threat of losing the key to its livelihood (migration outlets, unhindered ability to transfer funds, assured revenue support) will be characterised by uncertainty; and long run planning under uncertainty will be dominated more by survival calculations and taking out of insurance rather than by systematic and constructive investment.
51. It would appear that New Zealand's "developmental" approach has been adopted to secure domestic political legitimacy for the special relationship with the Cook Islands. It seems to have been felt that to ask the New Zealand taxpayer to provide some fixed level of budget support in perpetuity would be unacceptable; but that if financial transfers are presented as "promoting development" and therefore ultimately self-liquidating, this would be politically more acceptable. The flaw in this policy approach is that a degree of deception is involved, and in the long run this could be profoundly subversive of the special relationship, and hence destabilising for the Cook Islands society and economy.
52. New Zealand budget support should be removed from the context of "development aid" and relabelled, placing it where it belongs - as an assured on-going commitment by New Zealand to underwrite the viability of the existing economy.
53. There is a need to rethink the terms of the special relationship. There is, for example, a need to require the Cook Islands Government to consult with New Zealand on the broad outlines of its expenditure policies. Alternatively, any residual New Zealand responsibility for underwriting the security of international loans to the Cook Islands Government could be removed.

## CHAPTER 7

### NIUE

1. Niue lacks the strength and stability of the Cook Islands society and economy. There has never been a process of export-led growth. Export performance merely repeats one commodity cycle after another, with a brief boom followed by a collapse. Remittance inflows are much weaker than in the Cook Islands.
2. The island suffers from what can be termed as the “Niuean malaise”. Morale appears to be low and out-migration has proceeded to the point where the island is acutely depopulated.
3. Niue's import economy is almost entirely driven by New Zealand budget support. Its resource base promises little in the way of increased commercial export potential.
4. The public service is grotesquely large relative to the society to be administered. It can be said that the public service has, in effect, “swallowed” the private sector.
5. The agricultural potential of the soils is good, given wise decision-making and sound management. The main limitations are physical - craggy coral outcrops which lead to patchy crop intensity, plus some chemical deficiencies. Discing shallow soils has a detrimental effect.
6. The climate is not always stable and droughts are not uncommon. Over the last 26 years Niue has experienced four severe hurricanes. The hurricane of 1959 destroyed 180 houses and severely affected agricultural production.
7. Lack of water has acted as a constraint on agriculture as there is no running water on the island. While caution is needed in ecological matters, it should be safe to use up 6000m<sup>3</sup> a day of artesian water from 300 bores.
8. The Niuean environment gives poor returns to intensive land use and extensive operations are more appropriate. Traditional “bush garden” agriculture is of the shifting slash-and-burn variety and only a few tree crops (coconuts and limes) have been successfully established on a permanent basis.
9. Agriculture does not have a solid foundation, due to the hazards of handling and shipping a product to a distant and often uncertain market, to the economic process of “backwash” from the New Zealand mainland, the great shortage of labour and its high cost (most farming is part-time) and frequent reallocations of resources.
10. Commercial agriculture is usually a Niuean's third occupation, the first being work in the public service, and the second taro growing and fishing. Thus it has low priority with little time available for it.
11. The kumara weevil incident indicated that with crop diseases, access to the New Zealand market is not always easy. When trading with perishable produce, great efforts have to be made to arrange freezer capacity, deck containers on ships, and schedules such that ships

call sufficiently frequently. However although marketing problems can be difficult, in the main we are faced with a production problem.

12. Even at 4.5 tonnes of passionfruit production per acre (twice the average yield) it was doubtful if the crop was profitable. High labour and other costs for only mediocre harvests caused a decline of interest by growers - the amount of time needed for hand pollinating and weeding had been underestimated. Inefficient pollination, a disease problem, a drought in 1976, hurricane Ofa in 1979, and the need to replant vines every few years at a very considerable cost were the causes of failure of the passionfruit industry, in spite of excellent market conditions.
13. Niue has experienced too many foreign “experts” whose promises turn out to be false, since their analysis has been faulty.
14. There is a small niche for island products in the New Zealand market provided the crop is not too large or noticeable. “The export of kumaras is controlled as much as possible to ensure that it does not interfere with the New Zealand potato and kumara crops since the Niuean prices depended on these prices”, to quote a 1959 report.
15. The future of agriculture is not at all promising. A two-fold strategy seems appropriate: (1) encourage  $\frac{1}{4}$  acre “backyard” gardens adjacent to dwellings for the part time growers; (2) large-scale extensive farming, of the “plantation” or estate kind. The most promising possibilities appear to be beef production on improved pasture (green panic and other grasses) since there is a dry season; and cattle under coconuts. However such a scheme would best be run by Niueans as European control would be resented, and the whole project would depend on improved relations between villagers and the management of such a ranch. The quality of management would also be crucial. It is doubtful if any suitably trained Niuean manager is available.
16. The island cannot afford to be without a competent agricultural economist. In the past on several occasions, crops have been promoted as commercially promising without establishing, with even a moderate degree of success, the likely net return to the grower.
17. It is vital to maintain records of proven agricultural practices and to emphasise continuity in agricultural policy. The breakdown of improved pastures carefully built up over a period of years, and their reversion to weeds is a case in point.
18. The island's present “success” with exports of lime juice and coconut cream owes less to any inherent comparative advantage than to the fact that Niue has “captured” a capable individual entrepreneur able to hold his own at least in the short term. It remains to be seen whether Niuean coconut cream is competitive in the long run against low wage competition from elsewhere in the Pacific. Niuean limes are of excellent quality and are disease free, so they have good chances of holding a permanent niche in the New Zealand and possible Australian market, but there is little prospect of a large scale expansion in future.
19. In the context of the New Zealand economy, Niue is an area of marginal land, the commercial exploitation of which can be sustained only by permanent subsidy. It follows

that productive activity on the island must be promoted, if at all, not for commercial reasons but for reasons of social and strategic policy.

20. In view of Niue's massive depopulation, resettlement by surplus population from nearby Tonga is a distinct possibility for the future. This is essentially a political problem, for Niueans would probably agree to large scale Tongan settlement only if they are guaranteed the status of a ruling unproductive elite on the Nauru model. New Zealand labour organisations would not doubt strongly oppose free entry to the New Zealand market for competitively-priced goods from Niue under such conditions.
21. The basic reason for laxity in the public service management of finance is the absence of useful activities to occupy staff time. It is difficult to ensure high standards of propriety in the management of public moneys when all participants can see much expenditure going straight to waste - indeed the public service has been designed to promote this process. The existing system of channelling subsidies mainly in the form of public service salaries has little to recommend it, but would be hard to change.
22. The case for rechannelling New Zealand financial assistance to support performance-related activities is strong. This implies a substantial rethinking of the existing constitutional relationship with New Zealand, and recognition that political reintegration of Niue into New Zealand, on appropriately designed terms, has to be taken seriously.
23. Between 1971 and 1981 Niue's population fell by one third. The 1981 census showed a population of 3278; of 609 houses enumerated, 169 were unoccupied (mostly in the "back" villages).
24. The Niuean has always been accustomed to mobility. Most of the 1984 residents interviewed in Niue had made at least one, and usually several visits to New Zealand to visit relatives. A more relevant question than "why do people migrate?" is "why do people stay?" The correlation between the mass exodus of the 1970s and the onset of self-government seems too strong to ignore, since constitutional change occurred in a climate of considerable uncertainty and insecurity over the maintenance of the prized links with New Zealand. Rapid social change has also been unsettling as many people who are in good positions or are better educated leave; there is a feeling that the island is "too small to hold them".
25. The average growth rate of Niuean export earnings in real terms over the past 80 years has been zero. This suggests that a "ceiling" exists on export production, presumably related to the island's natural resource endowment and capacity to yield an exportable surplus under prevailing conditions of land tenure and agricultural technique.
26. After the Second World War there was a "take off" of commodity imports. The real driving force behind import growth has always been the inflow of New Zealand financial subsidies, which flow back out to pay for the rising imports.
27. With the availability of New Zealand aid finance which is used to pay for imports there is no room for economic adjustments toward more productive activity - i.e. productive

activity is crowded out by “aid” in this case, which is the classic “Dutch disease” syndrome.

If aid were to be withdrawn, the economic adjustments would be: out-migration, increased productive activity by those remaining, and a shift to permanently lower levels of real income.

28. There is no apparent reason why Niue's gross revenues from the sale of stamps should be only half those of the Cook Islands. Questions asked in the Auditor General's reports have gone unanswered since 1978 and there appears to have been only one occasion in recent years when the accounts for the gross revenue were inspected. The Assembly appears to neglect its constitutional duty of holding the executive to account for all revenues received and expenditures made on behalf of the Niuean Government.
29. Eighty percent of the economically active population work for the Government, for salaries and wages that total around \$4.5 million. The public service expanded greatly in the 1960s and 1970s to conduct a large scale investment programme in building up the infrastructure. Now that all the main infrastructure projects have been completed and a substantial proportion of the population has moved out, there is considerable excess capacity.
30. Given the over-capacity of government to meet new investment needs it has moved in to a number of activities pre-empting work that might have been done by private operators.
31. The 1974 Niue Constitution Act underpinned the position of the inflated public service, by requiring it not only to provide services efficiently but also to provide Niueans with employment. Thus the island has an unusual form of “surplus labour”. Unfortunately however no new projects that make economic sense appear to be in sight, on which this excess capacity could be profitably utilised. The apparent outward drain of financial savings reflects this lack of promising opportunities.
32. A policy of increased taxation to finance uneconomic activities would be inappropriate. It is likely to induce increased out migration. Niue is not realising an “economic surplus” - the proper basis for taxation.
33. Since there is no prospect under present conditions of realising an economic surplus, self-sufficiency is not a realistic goal. The Development Plan therefore is mistaken in suggesting that the trade deficit is the problem: it is merely the symptom of the problem.
34. With respect to constitutional development there was considerable support for the “colonial” status quo when self-government was proposed in the mid 1960s. Integration or independence were never seriously raised (almost no one favoured the latter). By the time they were seriously considered the island was “already over half way down the track” toward self-government.
35. Since the prevailing view was that Niue didn't want any change, self-government was seen as being bought by those who wanted it, and New Zealand and the United Nations were seen as the main beneficiaries. In return certain concessions had to be made,

especially maximum protection for the civil service. Thus the constitution solidified the public service and fixed its role in the Niue economy and society.

36. Socially, a new breed of people have emerged in Niue in the last 20 years who believe there has been a total shift from subsistence to a market economy. But in fact the shift is not total, but perhaps to a “permanently transitional” society rather than one based on the market economy - to a mirab society nurtured by aid, the growth of the bureaucracy and closely tied, economically and socially to New Zealand. The Public Service Association has become quite militant.
37. In Niue as in other small states there are problems and temptations involved in administering large sums of aid moneys. New Zealand must not play a paternalist, neo-colonial role and there is much to be said for guaranteeing a certain acceptable flow of subsidy, inflation proof, for say a 10 year period. But New Zealand would probably assume that the ways in which the moneys are spent would conform to New Zealand's ethical standards. Niue's version of the Westminster system has not produced checks and balances and mechanisms within the political structure to hold the executive accountable for revenues received and expenditures made.
38. In view of New Zealand concern over the size and competence of the Public Service a number of innovations have been made in late 1983 and 1984, including a strengthening of the financial management. If these new changes are successful, preservation of the status quo remains one option, although the logic for considerable further changes proposed in this chapter is persuasive. The Niue Government has agreed to a thorough review of the Public Service and has also set up a select committee to enquire into possible constitutional change.
39. It may be that a Select Committee comprising both Niuean and New Zealand members and chaired by a mutually respected figure could provide a mechanism for the friendly sharing of problems and discussion of major issues. Since it is difficult to anticipate future eventualities, there might be a need for a carefully thought out compact (as well as a constitution for Niue) to cover the less clear cut spirit of the relationship.

## CHAPTER 8

### TOKELAU

1. Three of the four islands of Tokelau (Atafu, Fakaofu and Nukunonu) came under New Zealand control in 1925; the fourth island (Olohega) was annexed to American Samoa. The Tokelauan claim to Olohega remains an issue despite the 1980 treaty, signed by the Tokelauan elders under pressure from New Zealand, which extinguished any legal claim.
2. Small size, limited resources, and remoteness have meant very limited room for manoeuvre in economic and social matters. Social and cultural cohesion have benefited from the fact that commercial development on any scale was obviously impractical.
3. Local resource endowments suffice to provide subsistence affluence for a population of up to 2,000, with a margin of surplus productive capacity in normal years to insure against natural disasters. The potential exportable surplus of copra from the village economy has probably remained steady at around 400 tons annually throughout the twentieth century, although actual export production has been in the region of 200 tons or so in recent years. There is no tradition of wage labour or plantation organisation in agriculture.
4. Tokelau was separated administratively from Western Samoa in 1948, and in 1950 a substantial expansion of government-financed investment and services began. The growth of the public service gathered pace in the 1960s, and threatened to swamp the neo-traditional social order in the 1970s.
5. Tokelau, as represented by the elders, has been fairly successful in resisting outside initiatives by New Zealand and the United Nations, aimed at moving the islands away from their status as a dependent territory of New Zealand. The community has been less successful in coping with the internal divisive impact of the cash economy.
6. From a low of under 400 in the 1870s, population had grown to 1,900 by 1966 when a mass resettlement scheme began moving families to New Zealand. The scheme ended in 1971-72. Since 1973 natural increase and out-migration have cancelled each other out, with population remaining stable at about 1,580. By 1981 there were 2,277 persons of Tokelauan ethnic origin resident in New Zealand, and 1,281 of Tokelauan birth.
7. Strong links of kinship, culture and awareness exist between the New Zealand resident and the Tokelau-resident communities. The former group in particular have criticised the New Zealand official view which emphasises the separation between the two.
8. Private-sector commercial firms abandoned Tokelau by 1950, leaving transport and trading arrangement entirely in the hands of the Administration. In 1977 trading operations were transferred to cooperative village stores. There is no commercial private sector.
9. Following the Korean boom years of 1950-51 came a decade of stagnation or decline of the local cash economy. Up to 1962 store-goods imports remained below the total value



of exports, with both on a declining trend in real terms. Thereafter imports rose dramatically with rising government expenditure in the territory; by the first half of the 1970s imports were over four times export earnings, and by 1981-84 the ratio was nearly eight times.

10. The limited available information on cash incomes in the islands indicates that over 70% is derived from public service wages and salaries. Remittances and export earnings account for most of the rest. Production of copra and handcrafts for export accounts for well under 10% of total cash incomes.
11. The quality of published statistics on Tokelau has declined sharply since the 1975 transfer of the administration to the Ministry of Foreign Affairs. This applies especially to trade data. Foreign Affairs officials have given low priority to economic and social questions; their main interest has been in constitutional evolution.
12. The annual budget documents presented to the Fono are designed for the benefit of the donor, not the recipient community. In particular, no breakdown is provided of the allocation of expenditure among Tokelau, Apia and elsewhere. Yet the configuration of the Administration's spending has important implications for local society, which the Fono can be expected to pursue.
13. The 1974-75 transfer of Tokelauan administration to the Ministry of Foreign Affairs involved the Ministry in a task quite unlike its mainstream activities, and the resulting conflicts were only partially resolved by the 1980 separation of the post of Administrator from that of Secretary of Foreign Affairs. The 1975 Foreign Affairs takeover is probably best understood as part of a series of pre-emptive moves by Wellington to "decolonise" Tokelau.
14. Certainly the thrust of Foreign Affairs administration was directed toward decolonisation as conceived in Wellington. The public service was strengthened and consolidated on New Zealand lines; the Fono was moulded into an embryonic Parliament with a Budget Committee which was to become eventually a Cabinet; and successive Official Secretaries lectured the Fono on the advantages of "political modernisation". All of these developments encountered substantial local resistance.
15. New Zealand officials have tended to discount local views and to adhere to New Zealand ways of doing things. This has been particularly evident in the field of public works, although recent experiments with the use of voluntary village labour (e.g. the electricity reticulation programme of 1982) have shown some softening of attitudes on the New Zealand side. Especially during the 1970s, New Zealand tended to begin with predetermined plans for Tokelau and to resist possibilities of accommodating to local ways. The organisation of the public service has been the most obvious example.
16. Foreign Affairs hoped to persuade Tokelauans to undertake an "act of self-determination" in 1979, and policy innovations during the mid and late 1970s were aimed to this end. By the time of the 1981 United Nations mission, however, Tokelau had made clear its opposition to Niue-type self-government, and Wellington was obliged

to accept a slower timetable. The long-run goals set by Wellington for political “progress” nevertheless remain unaltered.

17. The separation-of-powers doctrine, which prevents public servants from functioning as elders within the local community, is inappropriate in Tokelauan conditions, especially in the absence of any decision to opt for self-government. Under the status quo, public servants are responsible ultimately to Wellington, not to the Fono; the Fono is therefore not able to call upon their expertise and experience in any conflict between the Fono and the Administrator. The most significant example to date has been the Olohega debate. Wellington’s insistence on separation of powers seems to have been another example of the pre-emptive assumption that Tokelau is to move to self-government.
18. The events surrounding the Olohega treaty of 1980 crystallised the problems inherent in the status quo. The decision to negotiate a treaty formally renouncing the Olohega claim reflected New Zealand, not Tokelauan, priorities; and the pace of the decision-making reflected New Zealand impatience to secure fisheries licence fees as a supplement to local revenues, which took precedence over any attempt to deal with the issue in Tokelauan terms. Consequently, the treaty has caused substantial local resentment and has certainly not closed the issue in Tokelauan eyes.
19. Currently there is a need for a pause in political and constitutional development and to establish full communication in an unhurried way between New Zealand and the Tokelau people.

## CHAPTER 9

### KIRIBATI

1. Kiribati appears to have a high population growth rate. The country has a high rate of infant mortality for the Pacific Islands. In Fiji people live on average 10 years longer and in developed countries 20 years longer.
2. At its present growth rate, if the population doubles again in 30 years, there will be less than half an acre per capita in the whole group - and this is land with exceptionally low soil fertility by world standards.
3. The huge increase in export earnings from phosphates in the late 1960s and early 1970s had no impact on the rate of growth of import demand - this low leverage of export earnings on aggregate demand is a standard symptom of mineral exporting economies of "enclave" structure.
4. An important economic strategy followed by Kiribati in the years prior to independence in 1979 was to pay phosphate earnings into the Revenue Equalisation Reserve Fund (:RERF) which had an investment portfolio of about A\$86 million at the end of 1983.
5. With the cessation of phosphate mining in 1979, Kiribati lost 90 percent of its exports - a fate probably unparalleled for countries in modern times quite apart from the two oil shocks of 1973 and 1979. A trade surplus of A\$11.9 million was converted into a deficit of A\$15 million. Current account surpluses were eliminated and overseas reserves protected only by a brief surge of capital inflow in 1980-81 and a doubling of grant aid in 1982. The drop in export earnings did not fall primarily upon living standards, but rather as a fall in government revenue.
6. In the absence of a migration outlet living standards in terms of importable goods and services will depend in the foreseeable future directly on the volume of aid inflow. It should be considered as a matter of the highest priority for New Zealand to urge the United Kingdom to maintain the level of its commitment to Kiribati (and Tuvalu) and not to withdraw from the Western Pacific after 1986.
7. Independence on the basis of the present resource endowment and migration position is attainable only at living standards substantially below those now prevailing, especially on the cash-oriented island of Tarawa. Per capita GDP fell in 1980 from U.S.\$737 to U.S.\$398. The future for Kiribati could be a retreat into subsistence.
8. It seems likely that in Kiribati far greater returns in terms of real disposable incomes could be gained from overseas labour market penetration than from the current strategy of attempting autonomous development onshore in pursuit of "self reliance". At present the country's development strategy is dictated by aid donors, who are willing to finance onshore projects but not to sponsor programmes of offshore labour-market penetration.
9. In terms of consumption over the period of 1970-81 there was a drop in the import of diesel fuel, little change in many foods and only a moderate increase in imports of beer,

sugar, tea, fresh and frozen meat. There was however, a large increase in imports of tobacco and cigarettes while rice imports tripled.

10. It has been exceptionally difficult to diversify the production base. Philatelic sales and fishing have grown in recent years and might broaden the export base a little. Copra has grown only very slightly over the last 12 years.
11. It has been suggested that some deficiency of micro nutrients causes malnutrition amongst 25 percent or more of the population and that this might have worsened in recent years.
12. In the 1978 Census less than 14 percent of the total population was in formal employment; since then unemployment has grown. It seems that 85 to 90% are destined for a largely subsistence livelihood in the village environment. Eighty percent of wage employment is in the public service. Manufacturing is confined to 20 small firms.
13. The contrast between the core of Tarawa and the periphery of the outer islands is probably the most pronounced in the whole South Pacific. By 1982 South Tarawa had a population of about 20,000 or one third of the national total. A battery of policies is needed at macro and micro levels to enhance in relative terms the attractions of outer island living, to reduce wage dualism, to encourage import substitution, to increase the costs and lessen the benefits of urban living and to bring effective town planning policies into operation.
14. The Coconut Replanting and Improvement Schemes achieved very limited success over the period of 1970-83 for reasons stated. However in a country in which the population is so dependent on the coconut palm both for subsistence and on copra as the major export product, there is a major need to relaunch a coconut replanting campaign.
15. Recent research results suggest that Kiribati soils have amongst the lowest levels of five nutrients ever recorded (nitrogen, potassium, iron, manganese and zinc). While fertilisation would be expensive, some fertilisation of groves near villages during replanting would appear to be well worthwhile.
16. The primary policy options to increase copra production should be aimed at maintaining a satisfactory price level, and increasing the incentive to cut copra by providing more buying points and better transport means (bicycles, handcarts, tractors, trailers or boats).
17. A Coconut Replanting Programme might become marginally economic if a market for coconut timber can be created. A market for Millionaire's salad would be a bonus.
18. The successful New Zealand aid project on coconut timber milling has been hampered by the failure of Government to develop an effective marketing strategy. Much work is needed to overcome local consumer resistance. In the short term coconut timber could substitute for 45 percent of timber requirements and in the longer term for 80 percent. On islands where milling occurs it is important to fell senile palms from the lands of all villages. Timber milling should be built into a renewed Coconut Replanting Scheme.

19. Tuna fishing represents the most promising option for the future with potential catch rates likely to be good. The country plans to expand its tuna fleet from 4 vessels to 8 and then ultimately 12 vessels. Purse seiners are however expensive at A\$2-12 million each, together with costly shore facilities needed. Kiribati has one of the most clearly thought-out fisheries development plans of any South Pacific country, but it is difficult at this stage to determine whether its projections are unduly optimistic.
20. It appears that after Independence some of the cardinal principles of management of the Cooperative movement might have been overlooked; many societies in outer islands are in poor shape, many cases of malpractice have occurred and some societies that formerly had healthy profits have now become only marginally profitable. There is a need to return to “tried and true” principles with newcomers having to “reinvent the wheel” again.
21. There would appear to be much truth in the view that in a semi-subsistence country of only 60,000 people, the volume of merchandise is too small to warrant two major wholesaling enterprises. The narrow commercial focus of the Abamakoro Company could endanger the profitability of the KCWS and prevent it from adopting a wider, more socially desirable role. There is a real need for promotion of nutritionally desirable items and valuable capital goods rather than concentrating on fast flowing but nutritionally inferior foods. A fresh review of the wholesaling and retail field appears to be needed.
22. The installation of a modern system of telecommunications brings some benefits to Kiribati, though at some cost and with the requirement to train staff in new skills. It is not clear however how the “information revolution” meets the real needs of 99% of the Kiribati people, compared to the one percent in finance, business or banking. Unfortunately the cult associated with the global information and “telematic” revolution carries with it the danger of ignoring or rejecting most of the small scale appropriate technologies of the Schumacher type.
23. Islanders are rational opportunists who are very situation bound in their response to conditions, depending often on two, three or four sources of income. They are “part-peasant”, “part-proletarian”, part-time traders, partly dependent on remittances from relatives and partly dependent on subsistence gardening, gathering and fishing.
24. The acquisition of money incomes has done little to enhance human welfare (except perhaps spending on school fees) and has been accompanied by a decline in nutrition.
25. Interference by an international organisation and the introduction of an approach that was not appropriate to Kiribati conditions helped to cause the failure of the Family Planning Campaign. A new revived Family Planning Campaign should be a high priority; it would be well advised to model itself on the successful organisation and techniques of the 1969-73 campaign.
26. Resettlement by planned colonisation is best considered, if at all, as a possible adjunct to, rather than a substitute for a family planning programme. Even if ecological conditions prove to be satisfactory, the greatest difficulty is the extreme isolation of Fanning and Washing Islands 2000 miles away from Tarawa and from shipping lanes.

27. Overseas aid has tended to “muck up” Kiribati in introducing inappropriate innovations, ones with high recurrent costs, or weakening the old socio-economic structures. However paternalistic British colonialism has protected many skills needed for survival on an atoll, in sharp contrast to the nearby dependent and transformed “juke-box” culture of American Micronesia.

CHAPTER 10  
TUVALU

1. The granting of independence to Tuvalu was a very bold decision for a country of 8000 people living in an area of less than 10 square miles in nine islands scattered over an EEZ area of 900,000 km<sup>2</sup>.
2. The nine tiny islands offer only the most limited and bleak prospects of agricultural production and many soils suffer serious mineral deficiency. Only Funafuti and Nukufetau have lagoons that are navigable by ocean-going vessels. Water, one of the most important resources, is often scarce. Moreover the economy manifests the “mirab” characteristics of being aid- and remittance-led which is not conducive to motivation toward cash cropping.
3. Population densities are amongst the highest in the Pacific, varying in 1979 from 156 to 405 per km<sup>2</sup> on the outer islands and averaging 307 per km<sup>2</sup>.
4. There has been a lack of continuity in public service positions; frequently heads of government departments have been replaced. However there is no shortage of skill in many positions.
5. The process of political development was extremely rapid - the country was required to compress “50 years of history into five” - the period from separation from the Gilberts to independence. It was also perhaps unfortunate that the Governor-General's powers as set out by the Constitutional Committee were subsequently reduced and those of the Chief Minister increased.
6. Tuvalu is likely to be characterised by political stability. People are loyal to their leaders and tolerant of their actions, so that there is a remarkable constancy in political life.
7. It is probably unfortunate that Britain did not agree to granting aid as a lump sum at independence to be invested as a reserve fund rather than providing periodic budgetary aid. This would have given the country more financial as well as political independence.
8. The implications of creating a machine-age twentieth century “oasis” in a remote atoll economy were not fully thought-out. The rapid development of infrastructure on Funafuti has created a situation where recurrent costs are becoming a major problem.
9. The contrast between the “core” of Funafuti and the “periphery” of the outer islands is great. The former has 31 percent of the total population (a density of 1640 per km<sup>2</sup> on Fongafale islet), and A\$763 per capita GDP compared to \$209 for the outer islands. This regional disparity has been a major factor in the abortive attempts at political secession by two islands. An over concentration on the development of Funafuti was seen as a reason for the defeat of the last Government.
10. It is vitally important that overseas aid does not disturb or threaten the delicate adaptation of populations to the fragile atoll environment. The question of scale is highly important in aid
11. The recent acceleration in the rate of growth of the population (now over 2%) is most disturbing. Crucial importance is thus attached to the Family Planning Programme.

12. The economy is extremely open, indicating the very small control that Government can normally exert on it. External factors over which Government has little or no control are vital - the volume of foreign aid, variability of international prices for fish and copra, overseas employment opportunities.
13. Any increase in money incomes is almost immediately translated into a heavier import bill (for each extra dollar earned at least 80 cents is spent on imported goods). Thus the domestic multiplier is very low with most spending “leaking” out of the economy through the purchase of imports.
14. Imports vastly exceed commodity exports and the two bear little relationship to each other. This pattern has major implications for shipping. There is no apparent commercial basis for providing shipping services to Tuvalu.
15. Production in the “mirab economy” is largely unrelated to the level of cash activity or income, given the large aid flow, substantial remittances and wages and salaries provided by public service employment.
16. If the national goal of “self-reliance” is to be taken seriously, the country needs to generate an additional \$3 million or so of foreign exchange income per year. This is equivalent to three times the main income source - the sale of stamps - or five times the income from migrant remittances (or 100 times the existing level of commodity exports). Clearly the goal of self reliance cannot at present be taken seriously - it is a rhetorical device to maintain credibility in the world of so-called “development aid”.
17. Unfortunately the external labour market has been closing in on Tuvalu rather than opening out.
18. Austere financial management has meant that the percentage of recurrent revenue financed from local sources has risen from 65 to 73 percent in 1979-81 to 1982-84.
19. It is difficult to gauge the abundance of tuna resources in Tuvalu waters, though they might be reasonable. The country's one tuna fishing vessel, given by Japan, is however too large (170 gross tonnes) and yields a large operating loss. A smaller vessel of about 50 tonnes would be more suitable and much cheaper to operate. The country has not adopted a particularly effective strategy to develop its fisheries. Many technical needs are lacking. Even if commercial quantities of fish are caught the transport bottleneck will make it difficult to market them overseas.
20. Tuvaluans, who depend more fully on off island sources of income than Kiribati people, cut on average only 42 kgms of copra per head each year compared to 125 kgms per head in Kiribati. People usually only make copra when they need “target income” and money is not available from some other source.
21. Motivation to raise money is much greater if a campaign is launched which the Ekalesia can support and if the element of competition can be introduced.



22. Recent research has shown that reasonable yields of sweet potatoes can be grown following fertilisation with trace elements followed by a dressing of major nutrients. Good prospects exist for local cash crop gardens of sweet potatoes.
23. The conversion of senile coconut palms into charcoal for use as household fuel on Funafuti is an interesting possibility.
24. In a mirab economy like Tuvalu a major source of revenue is likely to come from special stamp issues. The prospects of sponsorship by a large overseas company using the Tuvalu name in cornflakes promotion etc are of interest.
25. Only 13 percent of the population is in full time employment and 62 percent of all jobs are public service.
26. There is a feeling of national solidarity, of the necessity for austerity, of struggle and even of sacrifice in the face of the country's precarious economic situation. Tuvalu deserves firmer assurances of economic security from her major donors (primarily the United Kingdom).
27. The Fusi (Cooperative movement) inculcates a business sense, provides services and the opportunity to earn a dividend. However its broader social role must be questioned with the increasing trend toward "consumerism", of greater dependence on a poor quality diet of "European" foods. The Fusi should be more active in promoting the sale of nutritious foods and capital goods on outer islands.
28. Uncoordinated, fragmented procurement has been carried out by the TCS and GSK with small quantities and high shipping costs raising the cost of imports. Moreover quotations have not been sought from competing companies in order to obtain the most economical or best source of supply.
29. The frequency of visits by ships from Australia and New Zealand is about the same (4 to 5 visits a year). The Pacific Forum Line service is greatly appreciated and the Moanaraoi (392 tonnes) is about the right size for the Funafuti run. In April 1984 there was the threat of suspension of some of the sailings of the Karlander Line vessels to Tuvalu in view of inadequate cargoes available. Freight rates from New Zealand are a little cheaper than from Australia for general cargo and much cheaper for cement.
30. A reasonable basic health service exists. Diarrhoea and influenza are the main causes of death. However there is a steady increase in diseases and illnesses induced by a poor diet - the classic diseases of Westernisation of the lifestyle (obesity, hypertension and diabetes). The question of the effects of urbanisation on Polynesian and Micronesian populations needs to be studied in depth.
31. The United Kingdom Government cut its budgetary aid by \$25,000 to \$925,000 in 1984 and wanted half of the current budget surplus for 1984 to be paid into the Development Fund as opposed to reducing its budgetary aid by this sum. Such an action shows little understanding of the functioning of a mirab economy and indeed reduces the Tuvalu incentive to make a surplus.

32. Overseas aid represents a surprisingly small proportion of total revenue (26 percent 1984) or anything from 50 to over 120 percent of GDP. In 1982 Tuvalu received A\$8 million in all forms of aid, or \$1000 per head. Some donors do at times exert unfair leverage on the Tuvalu Government. Leaders are critical of overseas “experts” who only come to Tuvalu for a week or two, and who make little effort to get to know the country in depth. There is a major need for forms of aid which help to take the pressure off the recurrent budget. Almost all aid is regarded as tied in some ways, not all aid is good, and many projects bear costs not always foreseen.
33. The cancellation of the internal air service (costing about \$400,000 annually) by the Government in 1983 was a most painful political decision to take. The shipping service, depending on the decrepit Nivaga, is most unsatisfactory (operating only 41% of the time and requiring a subsidy of \$100,000 annually). Tuvalu has escaped the financial millstone of a costly seaplane service only at the price of increased isolation. The cessation of the Air Pacific Fiji-Tuvalu air link in 1982 with only two month's notice was most unfortunate.
34. The introduction of new technology must not outrun the capacity of the local society to operate and service it efficiently. The functioning of the Funafuti power station illustrates the importance of the training function becoming self sustaining as operators train their own new staff.
35. New Zealand aid is appreciated for being quicker in arriving and less bureaucratic than that from other major donors. The Small Projects Funds is a most valuable and flexible form of aid, being appropriate to local small-scale conditions. Key empirical questions that are posed must be answered if aid is to become more effective. New Zealand needs to ensure that a greater proportion of its aid is spent in outer islands.
36. There appears to be a good case for budgetary aid which would serve to enhance sound financial management.
37. The liberal policies of aid donors just before Independence and the general optimism of the time fanned unrealistic hopes that were later doomed to be dashed. Perhaps the best aid in the long run is assistance which does not fan implausible hopes and unrealistic goals. The establishment of a Reserve Fund of say A\$20 to 30 million, if it could be built up by all donors acting in concert, would give Tuvalu the assurance of a dependable long term source of revenue.

## CHAPTER 11

### POLITICAL AFFAIRS

1. There have been many positive achievements in the political life of the Cook Islands. The country is basically stable but there has been some political uncertainty in 1983-84 with the two major parties almost equal in representation. The rivalry between the personalities of a few leading politician dominates the scene.

2. Traditionally, in Niue egalitarianism and individualism were important, with decision-making being by consensus. This consensus basis has led to pronounced political stability over the last two decades.

In recent years Sir Robert Rex's authority has increased and has been largely unchallenged.

3. In Tokelau the village structure and institutions still remain largely intact, stubbornly resisting further change until current problems can be worked through, in spite of persistent New Zealand efforts to accelerate the pace of political and constitutional change. A large Western-style public service remains separate and unassimilated into the neo-traditional structure.

4. In Kiribati, local government has always been weak, with the local concept of government unfortunately often being that of an external, arbitrary and dictatorial power. At the national level, a Westminster-type system has been adopted but there has been a reassertion of the traditional emphasis on egalitarianism and a maneaba style consensus approach to decision-making.

5. In Tuvalu the political system is characterised by the loyal support and respect for the leaders, emphasis on service to the community, proud conformity and social solidarity, and sharing in accordance with Tuvalu's values and the principles of the Ekalesia. It too is a highly stable system.

6. Even in large African or Asian ex-colonies where economic growth is possible, there have been many examples since World War II of the failure of economic growth based on liberal, capitalist lines to promote democratic political modernisation on the British or United States models. In mirab economies where growth has been impossible to achieve, a different kind of society again has emerged. Politics is managed in a distinctive way by a small political elite.

7. While societies are still predominantly homogeneous and unified, they have become more class-structured over time. Power has belonged to the dominant personalities and the social group who were created by and who best understood the new forces at work - the aid and remittance flows, the link with New Zealand, the working of the expanded bureaucracy, and the formation of other organised groups that were the basis of political life.

8. The expansion of administrative structures on top of near-subsistence economies and the almost total absence of a private sector apart from a few trading firms, has meant that the new elite has had considerable experience of public sector activity, visiting aid missions and the like, but little experience of industry, commerce or modern agriculture.
9. The power of the elite in small, remote island societies hinges on the ability to persuade and manipulate the village populations. All politicians who wish to be elected promise security, through safeguarding New Zealand citizenship in the case of Niue and the Cook Islands, and access to the New Zealand labour market for migrants.
10. One major political strategy is to emphasise the small country's "client-state" role, its loyalty, perhaps even its forlornness and dependency as part of an international tactic, receiving New Zealand aid grants and protection in return.
11. The alternative political strategy, since autonomous development is usually expected, is to seek new resources offshore. Since few prospects for foreign investment occur, this can lead to links with foreign millionaires or various forms of international "brinkmanship" (such as Tonga successfully employed in 1976 with the threat of granting access to the USSR for a fishing base in order to extract more aid from New Zealand).
12. The constraints of orthodox development strategies and the impossibility of achieving much through "bootstrap" development can lead to deep frustration and feelings of national impotence. Some novel strategies, such as philatelic or coin sales have been well worthwhile. With limited "room for manoeuvre" however, some leaders have indulged in political adventurism ("Henriesque behaviour") or fallen for instant solutions offered by dubious foreign businessmen. Such a case is the Sidney Gross affair. It is important for metropolitan countries to understand the long-term predicament of the small states and ensure their economic security by undertaking to provide subsidies at appropriate levels for a substantial period of time.
13. The accountability of government (for revenues received and expenditures made) to the local population is essential, as part of the evaluation by the electorate of the government's programme and performance. The accountability of governments - whether consensus ones or "Westminster"-type ones that don't perform as they are meant to - is a crucial and unresolved question.
14. Consensus systems of government are highly appropriate in Pacific settings and have many strong advantages. Three problems remain however - (i) ways of ensuring accountability; (ii) the danger of nepotism, bias, bribery and treating, in small scale bonded societies due to the importance of kinship and reciprocity; and (iii) while usually successful at village and island level, consensus decision-making still has to prove itself at national level, when faced with novel issues and broader questions.
15. Since 1975 the Ministry of Foreign Affairs has accorded the Cook Islands the status, in effect, of a full sovereign nation. This attitude of mutual respect between equals is admirable, but the question arises of whether New Zealand has fully thought through

the implications of this new relationship in which the islands are acting as fully free agents. Current issues which are disturbing, especially in a constitutional sense, and which could sorely test the relationship include:

- (a) The wood fuel project in Rarotonga;
- (b) Philatelic revenue in Niue;
- (c) The proposals to raise salaries and allowances by approximately 100 percent in the Cook Islands;
- (d) The Niue Assembly Members Superannuation Bill, 1984.

16. It is suggested that a Select Committee be appointed in each case to deal with the relationship respectively with Niue and the Cook Islands.

## CHAPTER 12

### DEFENCE

1. After World War II New Zealand felt that some dependable relationship with the United States was essential for the country's long term security. The ANZUS alliance has been the cornerstone of New Zealand's security and defence policies for over 30 years. Dependence on and close alliance with the United States and Australia have been the paramount factors.
2. The accession of the Fourth Labour Government to power raises the possibility of change through its nuclear-free South Pacific policy.
3. In recent years there has been a deterioration in superpower relationships and a continued failure of internationalism has been apparent. With the deployment of intermediate range nuclear missiles by both superpowers there is growing cynicism on the part of public opinion in many countries. There is a feeling that the world is trapped and helpless in the face of events. Rather than a continuation of stable deterrence we appear to be witnessing yet another round of the nuclear arms race.
4. New Zealand's defence policy has always involved support for collective security and forward defence. The nation has always been ready to pay a painful price by fighting in other people's wars in the attempt to earn the regard of a powerful ally (Britain, then latterly the United States) which might accept the role of protector.
5. Following the Nixon (Guam) Doctrine calling for greater regional self reliance, New Zealand adopted a new "close to home" policy in 1978. While not completely abandoning forward defence and continuing to maintain a European or Western perspective, New Zealand has accepted a greater regional role for defence in the South Pacific.
6. In the 1980's the view has grown that there is no manifest external threat to New Zealand's security.
7. At the same time, there has been disquiet at a rapidly escalating defence budget that reached over \$700 million in 1984, coming at a time of economic recession. Disillusionment at the nuclear arms race and the superpower impasse has also grown.
8. In 1980-81 and 1981-82 there were substantial increases in defence spending in real terms. However New Zealand's defence spending (1.53 to 2.2% of GDP) is small in comparison to most countries. Living "at the edge of the world", many New Zealanders don't feel greatly threatened.
9. Doubts have been expressed recently about the cost-effectiveness of present defence spending, given New Zealand's rather ambivalent defence posture (combining forward defence with regional self-reliance). More concentration on specialist, relatively small-scale equipment suited to anti-submarine, anti-ship and fisheries protection operations might be appropriate.

10. The implementation of the Ready Reaction Regular Force (R3F) does seem a logical development in the context of regional self-reliance.
11. It can be argued that for a good part of the 40 years since the last war a situation of stable nuclear deterrence has existed. However, for the last 20 years both superpowers have possessed arsenals far larger than could be justified by any rational strategy of deterrence. The whole concept of relative advantage seems to be illusory. The arms race occurs because neither of the superpowers appears willing to take the slightest risk of having a “window of vulnerability”. Their deterrence postures are governed by the fear that any weakness might possibly be exploited by their adversary.
12. Arms control and disarmament, perhaps through a policy of progressive mutual “build down”, are just as important as defence policy for ensuring security or even survival in today's world.
13. Reaction from American authorities to the announcement by the Labour Government that all nuclear weapon systems would be excluded from New Zealand and its territorial waters has been that the denial of port facilities to nuclear armed or powered vessels might mean the end of the ANZUS Treaty.
14. The establishment of a nuclear weapon-free zone in the South Pacific, if enforceable, would prevent the further spread of nuclear weapons and serve as a regional measure of arms control. It might also act as an example that will advance the cause of disarmament in other areas of the world.

However, to be effective, the five nuclear powers must be willing over a period of to accept restraint on their existing freedom to introduce nuclear weapons into the zone. Moreover the superpowers will not accept zone proposals which restrict the exercise of their high seas freedoms, which would restrict the right of zone states to give transit privileges to their vessels and aircraft, which were unverifiable, or which disturbed existing security arrangements.

15. American Policy in the South Pacific

United States interests are overwhelmingly concerned with security. Americans view defence treaties in an interlocking way. ANZUS is seen as an integral part of a global system of alliances.

16. The USSR now have an ability to interdict shipping through the South China Sea from their Vietnam bases and to close the Indonesian straits and Strait of Malacca with mines. If this occurred in any regional or global war, Pacific lines of communication would move south from the North Pacific to the South Pacific, the Tasman Sea, Bass Strait and Great Australian Bight to the Indian Ocean.
17. Most current threats to peace or stability in the Pacific Basin appear to be of small or only moderate scale mostly arising from internal affairs - e.g. an internal challenge to Marcos in the Philippines border disputes between West Irian and Papua New Guinea and the independence movement in New Caledonia.

Perhaps the biggest threat could come from trouble between the superpowers in the Indian Ocean.

18. ANZUS - the case against.

1. The ANZUS treaty was negotiated to deal with a situation which no longer exists, and does not obviously have relevance to present day needs.
2. The treaty has very narrow scope and imposes obligations of uncertain strength on the USA to defend the other partners.
3. The treaty now appears to function mainly as an umbrella under which the United States conducts intelligence operations and deploys its nuclear as well as conventional forces. ANZUS has helped to legitimate the continuing growth of US nuclear weapons capability in the Pacific. If the treaty cannot now be disentangled from its nuclear dimension, its value in the eyes of New Zealanders will be substantially reduced.

19. ANZUS - the case for.

1. New Zealand cannot defend itself alone against a major aggressor; collective security is the only possible defence, and ANZUS may be the only such deal on offer.
2. The Falklands War illustrated the willingness of the US to assist allies in localised wars, in areas such as ordnance, intelligence and communications.
3. ANZUS brings important practical benefits to the New Zealand armed forces in terms of training, exercise and intelligence.
4. The alliance provides the structure within which all issues bearing on the relations among the partners are addressed. It has been seen as an invaluable means by which New Zealand can gain the ear of a superpower patron.
5. Even without the treaty in its present form, relations among New Zealand, Australia and the USA would have to be conducted in some way. Adherence by New Zealand to its present "nuclear free" stance will probably have costs in other areas such as trade.
20. On balance, the past decisions of successive New Zealand Governments to keep ANZUS were probably wise. Collective defence still seems to be essential for New Zealand's security, but it should prove possible to strip ANZUS of its nuclear trappings, or replace it with a new treaty on a more acceptable basis.
21. The essence of the problem is for New Zealand to find ways of reciprocity with the United States and Australia that are real and valuable yet still enable New Zealand to work actively for nuclear disarmament and arms control in the South Pacific.

22. New Zealand security role in the South Pacific

New Zealand has been involved for many decades in the defence of its vital interests in the South Pacific. (In addition to action in World War 1 and II, this has included a riot in



Rarotonga in 1919, a serious strike in Fiji in 1920 and the unfortunate over-reaction of military forces against the Mau movement in Western Samoa in 1929).

The islands have been seen as the outer perimeter of New Zealand's defensive system - a kind of buffer zone through which any invading force would first have to penetrate. Strategic denial is an important element of the policy.

23. Since the War New Zealand has assisted Fiji and Tonga with training their military forces. Certain forms of trade training are also provided. Surveillance and protection are provided for the other island groups which do not have military forces.
24. This role calls for a wide ranging capacity for New Zealand's military forces, which might be required to operate over vast areas in very different island societies. The development of the R3F as a flexible, highly mobile group is an attempt to respond immediately to all kinds of problems in the region. Its role will also apply to civic disasters.
25. The Mutual Assistance Programme (MAP) is aimed at strengthening bilateral relations in defence with partner countries. MAP is maintained with 8 Pacific and ASEAN countries - Fiji, Indonesia, Malaysia, Papua New Guinea, Philippines, Singapore, Thailand and Tonga.

New Zealand's military forces contribute effectively to civil action in the South Pacific in numerous peaceful ways.

26. Just as New Zealand seeks to avoid abject dependence or sycophantic clientism in its defence and economic policies, so it is equally important that the small states should not have to play the same kind of role vis-a-vis New Zealand.
27. The fact that New Zealand "belongs to two worlds" introduces a schizophrenic or ambivalent character into its defence and foreign policies. This could lead to a lack of decisiveness about the precise role and nature of New Zealand's defence forces in the future and the weaponry that would accordingly be most appropriate. However, the security of citizens of New Zealand and the South Pacific require dual policies, emphasising disarmament and arms control as well as defence through collective security.
28. An encouraging start has been made by the Fourth Labour Government in stating an independent yet moderate and reasonable position.

CHAPTER 13  
SHIPPING, INDUSTRIAL DEVELOPMENT AND TRADE ACCESS

1. The Pacific Forum Line, Sparteca agreement and Pacific Islands Industrial Development Scheme were all products of a particular vision of the development process, which stressed industrial development as an employment creator and export production as the desirable leading sector.
2. The scope for these “development-promoting” reforms is far less however in these five small states, because the prospects for “development” of this type are slender, and because three of them already enjoyed special status in shipping and market access to New Zealand.
3. In one industrial activity which has shown real “viability” in the long run - clothing manufacture on Rarotonga - the financing of the necessary investment also has never been a constraint. The existence of PIIDS moreover did nothing in this area of first issue earning to offset the harsh reality of economic decline.
4. In Tuvalu and Kiribati, the function of the PFL/PIIDS/SPARTECA package was to turn the economies of those two countries increasingly towards New Zealand; there has been a rise in New Zealand's share of imports to these countries.
5. The real targets of the PFL/PIIDS/SPARTECA package have not been the small states covered by this survey, but the larger Pacific nations - Western Samoa, Fiji, Tonga or Papua New Guinea - and the improvement of the New Zealand Government's political image in the forums of the region and the world.
6. Shipping costs between Apia and Tokelau have seldom been less than 25 percent of the value of trade carried and since the oil shocks of the 1970's it has been at least 40 percent.
7. Since the institution of the Joint Shipping Service the earlier dissatisfaction of Islanders over inadequate shipping schedules has been replaced by anxiety that the present subsidy level might not be politically sustainable in the long term.
8. In current terms the operating cost on the Cook Islands-Niue joint service (JSS) had risen to \$5.2 million by 1983/84. It appears that well over 80% of the subsidy required in most operating losses on the JSS corresponds to the extra costs incurred through applying New Zealand award manning scales.
9. The Fletcher Report noted that the north-to-south-bound ratio of island trade is 4 to 1, thus causing a severe trade imbalance. The Report found the JSS in 1982 technically deficient, operationally obsolete, financially disastrous, politically inadequate, but commercially acceptable, since it met the required level of service and consumer satisfaction.
10. Continuation of the existing subsidy by the New Zealand Government to the Joint Shipping Service brings real political returns in island goodwill and industrial peace with the maritime unions. However the JSS has been more of a political than a commercial venture. For a subsidy of \$4 million or more, the greatest beneficiaries are New Zealand exporters selling in Niue, the Cook Islands and French Polynesia; island consumers and New Zealand

crewmembers also benefit via imports and salaries respectively. Total exports from the islands to New Zealand are around \$5 million FOB, more or less equal to the subsidy required to run the shipping service on the present basis.

11. The Pacific Forum Line has been an important symbol of New Zealand's regional commitment to the South Pacific. Political factors have always taken precedence over commercial and technical problems and New Zealand seems to have begun from the unproven assumption that a regional shipping line was the answer to the perceived problem of high freight rates and irregular service, and that only strong political commitment was needed to make the venture a success. This position has implied willingness to subsidise operating losses, and also to proceed even if expert recommendations on type of ships and schedules could not be met.
12. The New Zealand subsidy to the PFL accounted for \$3.8 million in 1983/84 (less than the subsidy on the Cook Islands-Niue Joint service). The PFL service has substantially improved shipping to Tuvalu and Kiribati and has assisted the recent rapid expansion of New Zealand exports to Tuvalu.
13. It is clear that the provision of regular shipping services to the five small states will have to remain subsidised for the foreseeable future, with the degree of subsidy a matter for political negotiation between the New Zealand Government and the beneficiaries - the island communities, the New Zealand Maritime unions and the New Zealand exporters.
14. The economic rationale for promoting industrialisation in the islands was that rapid and successful "economic development" in the islands would, it was hoped, mop up this labour force and thus dampen the incentives to migrate to New Zealand.
15. The PIIDs scheme is a demonstration of New Zealand's commitment to regional development and cooperation.
16. The advantages of low wage rates in the islands were more than offset by the disadvantages of distance, low productivity and smallness of scale. The PIIDs scheme rested crucially upon investment subsidies and assistance with productivity. The scheme was based on the assumption that commercial viability could be attained simply by reducing setting up costs and on-going level of overheads. No statistical work was done to establish the realism of this assumption. PIIDs incentives to locate in the islands were similar to regional development incentives already available to manufacturers within New Zealand itself, so island locations had to be preferable to areas in New Zealand where regional development incentives applied.
17. New Zealand export incentives could be claimed on goods produced in New Zealand and exported to island markets, which substantially undercut the attractiveness of the PIIDs incentives. Moreover export incentives were ongoing subsidies to manufacturers' profitability whereas the PIIDs incentives were restricted to setting-up costs.
18. The official figures for the number of operating ventures and the number of jobs created are open to serious question. It seems unlikely that ventures assisted under PIIDs have created

more than half the direct jobs claimed, and the net contribution of PIIDs would be considerably lower than this.

19. It appears that on many cases, entrepreneurs have treated PIIDs as a source of concessionary finance after they have already decided to embark on a venture.
20. On the basis of our analysis of Mirab economies, the PIIDs scheme has some advantages - it facilitates low level diversification of this village economy, it provides a useful barometer of the existence or otherwise of profitable investment opportunities in the islands. They are far below the "threshold" of project size for mainstream aid programmes of most donors and they are, almost without exception, marginal to the local economy.
21. The PIIDs scheme has been a most remarkable cost-effective public relations exercise. At a fraction of the cost, for example of New Zealand's support to the Pacific Forum Line, goodwill has been built up in several Pacific nations.
22. The original motivation and continuing rationale for the programme are New Zealand's political goals rather than any clearly-defined Islands goals. And it would be incorrect to portray the scheme's design as a passive New Zealand response to Island Government's wishes.
23. It is not clear that the Department of Trade and Industry had built up enough specialised expertise in the South Pacific to enable officials to respond creatively to the specific problems of the region. Rather, PIIDs transferred industrial assistance measures designed for New Zealand regions to the very different setting of small island economies. In the final analysis the power, finance and initiative reside in Wellington, and will continue to do.
24. The main contribution of SPARTECA to policy analysis of South Pacific trade and development problems has been to remove a red herring - namely the notion that restricted market access was the key explanation for trade imbalances in the region. Having disposed of this, Forum countries can now confront the more fundamental causes for these trade deficits.
25. It appears that Fiji has been the major beneficiary of SPARTECA, followed by Papua New Guinea, Tonga and the Solomon Islands.
26. SPARTECA has been beneficial in performing a trade-creating role. There are real gains to several island economies, but they are not sufficient to make much of an inroad into the perceived problem - the trade deficits of island countries with the large economies. Before SPARTECA in 1978/79 the trade imbalance was two to one in favour of New Zealand compared to the islands; in 1982/83 (after SPARTECA) the imbalance in favour of New Zealand was three to one.
27. The existence of SPARTECA has not in itself generated growth; and it can scarcely be claimed that it was necessary for economic growth in the islands. But it is helpful overall.

## CHAPTER 14

### FISHERIES

1. The recorded catches by island countries in the SPC area are miniscule, despite a 37% increase in reported catches by SPC countries over 1975-82. The island countries share of the Central Pacific total catch remains about 1.2 to 1.5%.

Fiji and the Solomon Islands have experienced the most rapid expansion of their fish catches in the past decade; of the five small states only Kiribati figures as a significant fishing nation.

2. The Central Pacific, is however, of major world importance in tuna fishing. Nearly half the total world tuna catch now comes from the central Pacific compared to only a quarter in the 1960s. The central Pacific tuna catch doubled in volume between 1970 and 1982.
3. A rough valuation of fish catch (basically tuna) for Kiribati waters in the early 1980s at an FOB value of A\$1,000 a tonne is over A\$30 million, comparable to the value of peak exports of phosphate in mid 1970s. However the stock is widely dispersed over a vast area, difficult and expensive to police and the international industry and market are highly competitive. Fish accounted for \$700,000 of Kiribati's total exports of nearly \$4 million in 1981, while fishing licence fees brought in \$1.3 million of government revenue - nearly 5% of a \$30 million value of the total catch.
4. Tuna fishery development might at best reach on internal rate of return of 16% in Kiribati with gross surpluses before depreciation rising to \$1.8 million annually in the late 1980s. This would be comparable or a little above, the earnings of copra. This would be a valuable gain but in no sense would it make the economy "self reliant".
5. The disappointing experience of Te Tautai in Tuvalu has dampened earlier excessive hopes. Prospects are hard to judge, but at best are probably only moderate. Revenue from fishing fees for 1983 is estimated at \$200,000 while the value of fish caught by Te Tautai (in Fijian waters) is another \$200,000.
6. In the Cook Islands the local tuna catch is insignificant, and the foreign catch appears to be well below the potential level.

Niue and the Cook Islands are located too far from Japan to have attracted intensive fishing effort and are still unproven in terms of sustainable catch.

In Niue tuna fisheries appear to have little potential; catches by foreign vessels were only 100-200 tonnes annually in the first half of the 1970s.

7. The Tokelau EEZ is technically feasible for purse seine fishing and it is located near the Pago Pago canneries. However only 6 vessels are licensed at mid 1984, with likely revenues of not more than \$5000 for the year.
8. It is unlikely that the net returns to Niue, the Cook Islands and Tokelau from licensing will be sufficient to offset the costs of surveillance in their extensive EEZs and that surveillance must therefore be justified at least partly on region-wide grounds.
9. There do not yet appear to exist any thorough studies of the extent of taxable rents being generated in tuna fishing within the Forum EEZs, nor any systematic licensing regime to take account of the great differences from country to country in productivity per km of EEZ, distance from processing plants and markets, and ratio of local to foreign fishing activity.
10. At this stage the fisheries issue is more a political one - involving the recognition and definition of regional common interests, and the strengthening of regional institutions and co operation - than strictly an economic one.
11. New Zealand has an important role to perform at the level of diplomacy and international law e.g. Problems exist currently because two of the major participants in the tuna fisheries are countries with which it is difficult to secure satisfactory negotiated agreements : Taiwan and the United States.
  - (i) New Zealand does not recognise the government of Taiwan and refuses to contemplate direct dealings with Taipei by New Zealand associated small states.
  - (ii) The United States refuses to sign the Law of the Sea treaty and is unwilling either to police the fishing activities of its nationals or to tolerate such policing by other sovereign states.
12. The problem of Taiwan is dealt with by tacit agreement to operate negotiations through non-governmental channels. Ultimately, if any substantial development of the Cook Islands and Niue EEZs is carried out, Taiwanese and South Korean vessels are likely to play a leading role.
13. The Danica incident of 1982 in Papua New Guinea and the current Solomon Islands arrest of a US vessel illustrate that what might have been routine policing issues became international incidents because of the United States Government's willingness to enter into political confrontations with Pacific states in defence of the rights claimed by the American Tunaboat Association. A diplomatic role appears to exist for New Zealand to mediate on behalf of Forum countries, to defend their interests and to attempt to defuse the seriousness of such incidents.
14. Small Pacific states must carefully weigh the potential costs of offending the United States Government (by impounding unlicensed fishing vessels) against the

increasingly heavy losses resulting from closing of United States markets and any tightening up of migration access to the United States.

15. Since there are obviously narrow limits on the Forum's ability to sustain on outright confrontation with the United States over the fisheries issue, the importance of establishing and sustaining a regional position in international law is increased. New Zealand has contributed substantially in this area, and should continue to do so in the future.
16. There seems to have been inadequate research work to date on the political economy of the tuna fisheries of the central Pacific, yet decisions on licensing regimes and regional investment options hinge on the economies of fisheries operations at least as much as on the scientific issues of the size and migratory habits of the tuna stock.
17. It would be valuable for New Zealand to encourage at least one appropriate international agency to research and publish substantial in-depth analysis of the regional economics of fisheries development, and further to ensure that the results of such research are critically evaluated and interpreted. It is essential that this research be of a high calibre.
18. New Zealand can also play a role in the design and implementation of cost-effective means of maritime surveillance. The extent to which regionally-owned and operated vessels would be delegated a an enforcement role vis-a-vis Deep Water Fishing Nation's vessels is obviously a ticklish issue, and must be explored with caution.
19. It may well be just as appropriate for New Zealand to demonstrate a willingness to maintain some rapidly-deployable fisheries enforcement capability as it is to maintain a rapid deployment force to cope with threats to political stability in the South Pacific.

## CHAPTER 15

### EDUCATION

1. The Beeby Report led in 1946 to the establishment of the Islands Education section of the Department of Education, the reintroduction of vernacular in the early years of schooling, a more culturally based curriculum, the establishment of secondary schools and teacher training and the reintroduction of a Scholarship Training Scheme.
2. Attempts to provide schools with more practical curricula (as in Junior High Schools on the outer islands in the Cook Islands) or for high schools to provide education for future administrators could never succeed, as with migration to New Zealand the group was not a closed society. The Junior high Schools failed, as parents, under self-government, wanted equal opportunity for their children and demanded courses leading to New Zealand School Certificate, refusal of which by the Government would have been political suicide. Again attempts in Niue to run practical courses for the less able in the upper primary classes failed, and parental pressure and the economies of scale led in the early 1970s to consolidation of all pupils of Form 1 and above in the High School, where a wider variety of better quality courses could be supplied.
3. The education system of Tokelau was neglected until 1969 and standards have always been low. The reversal of New Zealand Government policy to resettle the people in New Zealand led to a change of education policy - syllabuses were developed with strong atoll orientation which contained a basis which could be applied in New Zealand for those who migrated.
4. New Zealand's present educational assistance is broad in scope. Its policy is to respond to requests for assistance. As a small country and a multi-cultural society, New Zealand is uniquely placed to provide a wide range of educational consultancy.
5. In the Cook Islands there is still a critical situation in teacher supply at all levels. There is a tendency for the best primary teachers to be posted to lower secondary levels thus denuding the primary schools and lowering the level of achievement. Many students trained as teachers are lured into government jobs as these can be more financially rewarding. There seems no likelihood of complete localisation in the Cook Islands for many years and at best 15 New Zealand teachers are likely to be required on Government to Government contracts. As many as 25% of the total 200 secondary teachers are from overseas.
6. In the five small states, many of the students gaining School Certificate or University Entrance prefer to take up more popular training awards, so that few well-qualified students enter teachers' college. Teaching also has rather low status and only mediocre salary levels.



7. New Zealand has been assisting in the Cook Islands, Niue and Tokelau for many years to produce structured curricular and teaching materials. Counterpart use has featured prominently but often the benefits are lost as success by the counterpart leads to promotion outside the curriculum field. New Zealand has always believed in a broad, culturally-based curriculum, including not only core subjects such as the vernacular, English, mathematics, science, social science, physical education, arts and crafts but also agricultural and technical subjects.
8. Historically the success of practical, technical and agricultural courses has waxed and waned with teacher expertise and motivation.
9. There appears to be an erosion of the vernacular in the countries concerned due to the absence of a clear language policy and the vernacular not being an examination subject except in the Cook Islands School Certificate.
10. The Tate Oral English programme, originally designed and prepared in New Zealand is now widespread in the Pacific. Designed for teachers whose own grasp of English is insecure it has greatly contributed to the teaching of the language. Many are of the view that it has now outlived its usefulness but there is a lack of a suitable replacement.
11. Localisation of teachers over recent years the withdrawal of native English speakers, as models, and the use of travelling advisers has led to a marked decline of primary school pupils' English. The products of those schools, some illiterate in both English and the vernacular, appear in the secondary schools and the amount of remedial work required is much too great.
12. In examinations and assessment since 1976 prescriptions have been made more relevant for Islands candidates for School Certificate and University Entrance by the development of South Pacific Option prescriptions and papers. It is hoped that Pacific Island "national" examinations might eventually be incorporated into the validating function of the South Pacific Board for Educational Assessment, a body which New Zealand helped to establish in the expectation that it would enable Pacific countries to disengage from reliance on New Zealand examinations. However this is unlikely to happen in the Cook Islands or Niue where the New Zealand "ticket" is a sought after job qualification within New Zealand. Ironically, the provision of School Certificate South Pacific Options rather than causing disengagement, led to Kiribati and Tuvalu taking up the New Zealand examination.
13. School libraries in Tokelau and at Niue and Cook Island secondary schools were previously very well stocked and maintained. With local allocation of funds less is being spent on these libraries.
14. Scholarship schemes have often had mixed success, for amongst Islanders who are New Zealand citizens, many "scholarshippers" have failed to return home, or if they did they remained for only a short period. The Tokelau scholarship scheme has not been successful partly because of low primary standards in Tokelau, the

initial culture shock experienced in New Zealand and no compulsion for students to return to Tokelau after training.

15. New Zealand has strongly supported the University of the South Pacific since its establishment in 1968. It has made possible higher level education in a South Pacific setting and cultural environment, minimising the alienation and manpower loss that is often associated with prolonged study in a metropolitan country. Apart from the two main campuses in Suva and Apia, Extension Centres in almost all countries underpin university education.

Recently it has become evident that in spite of the USP's range of sub-degree as well as degree courses, and its wish to be flexible and responsive, priorities in the region do not always coincide and there is an increasing tendency to consider establishing national institutions for lower and middle tertiary training. The university, nevertheless remains a big resource in South Pacific education.

16. Special forms of education. Two islanders were trained in New Zealand for treating the deaf and undertaking hearing surveys. However shortly after their return to the Cook Islands both were promoted, leaving the situation in schools as it was before the training. This is a classic example of the problem of training and subsequently retaining specialists.
17. In view of New Zealand's many links with the South Pacific, its multi cultural and especially Polynesian character, New Zealand should welcome the opportunity for its teachers and other educationists to work in the Pacific. It has two-way benefits; they can assist technically, can be forced to do some basic educational rethinking, can perhaps act as ambassadors, and, on return have much to contribute to the New Zealand system and institutions supporting the education of Pacific Islanders in New Zealand. New Zealand should continue to be responsive to island states' needs within the limit of resources available.
18. At present Tuvalu and Kiribati do not have an emigration outlet and education can be directed more towards internal development. But Cook Islanders, Nuieans and Tokelauns, being New Zealanders, must have a education which assists with local development as well as living in New Zealand.

Education per se cannot prevent migration. Life on a small isolated island can be limiting. One must start from the premise that, given the preference of rural youth, the terms of trade are weighted in favour of urban Rarotonga or Auckland. Any attempt to deal with the problem must begin with efforts to shift the terms of trade in favour of the rural small islands (which would be very difficult and enormously expensive) and not simply with attempts to provide a rural or technical curriculum.

19. Tokelau presents a special problem. There is obviously something wrong with its education system. It is reflected in the low achievement at secondary level. The quality of teaching in Tokelau schools reduces through the class levels as subject matter becomes wider and deeper than the teachers can handle. It is likely that the

older the scholarship children are, the further behind their peers they will be on entering New Zealand schools and the greater the culture shock.

20. The curriculum for Tokelau should be broad based, related to and meaningful in the environment. It should be rooted in local traditions but giving a reasoned pathway to other choices and visions.
21. In all the small states there is a shortage of teachers of science mathematics and English. There is no need for a lingua franca except with the outside world and in remote islands this rarely happens. English is an artificial and difficult language in isolation. The official argument about bi-lingualism continues but without firm directions.
22. Science concepts, particularly in physical science, are difficult to achieve in a limited technological environment where sound science knowledge and imagination are required to create, explain and discover. Much effort has gone into attempts to strengthen science teaching, but the problem persists. Since the demand is likely to continue, New Zealand might well fund research into this problem of science motivation and learning and also the funding of science teacher training awards.
23. Educational management has been characterised in the small states by a lack of continuity in personnel. Lack of continuity in management means a short official “memory”. The “wheel” is reinvented many times, and there is the possibility of the repetition of past mistakes.
24. New Zealand's aid in the immediate future would seem most useful in the provision of teachers and specialists in English, science and mathematics, scholarship training programmes; teacher training including technical; curriculum and resource development; training in educational management; non-formal education. Greater input at the primary level of schooling is needed.

## CHAPTER 16

### AID IN DEVELOPMENT

1. Aid in the South Pacific has in general been a mere extension of the approaches taken in other parts of the world. The conventional, institutional approaches used in Africa or Asia have been applied uncritically to unique Pacific conditions.
2. There is a conflict in New Zealand's national interest between the promotion of exports to the South Pacific (which have grown rapidly in recent years) and aid designed to assist autonomous development and self-reliance. While this report argues that closer integration with New Zealand rather than autonomous development is the better policy for the Cook Islands, Niue, Tokelau (and hopefully Tuvalu), for some large South Pacific countries where autonomous development might be feasible, trade-offs are required between New Zealand's exporting interests and aid policies designed to assist self-reliance.
3. The pattern of New Zealand aid spending in the Pacific reinforces the view that the overall objective is the maintenance of stability in the region. The pattern does not change greatly over time.
4. The proportion of New Zealand bilateral aid spent in the South Pacific reached 77 percent in 1982-83 while the Cook Islands, Niue and Tokelau, in spite of their smallness, received about 33% of all bilateral aid in 1983/84. Budgetary support to those three took 75% of their BAP allocation, or 25% of the total New Zealand bilateral aid vote.
5. In the Pacific region as a whole the most aid-dependent countries are the smallest and most remote island groups and also those territories which are consciously more integrated with metropolitan countries (United States, France or New Zealand). Niue and Tokelau have the highest per capita aid figures, a situation which is unavoidable and Tuvalu is also now in this category. Unless great hardship is to be avoided it seems inevitable that substantial aid to Kiribati must be maintained. The two last - Tuvalu and Kiribati - are politically independent.
6. In 1983 the amount of aid per head in the five small states was:

|              |        |
|--------------|--------|
| Niue         | \$2000 |
| Tokelau      | \$1800 |
| Cook Islands | \$ 726 |
| Tuvalu       | \$1000 |
| Kiribati     | A\$ 99 |

7. Large international organisations often work on the basis of preconceived ideas and fail to adapt to local conditions. At times they are arrogant in their approach and communication with local staff is sometimes poor, leading to misunderstandings and poor results.

8. The great power possessed by aid donors, including New Zealand, overshadows economic, social and political affairs in the island states. Even if it is not exercised, latent power remains a threat. Great care must therefore be taken not to abuse this situation, to respect the local authorities and to work constructively with them.
9. Throughout the South Pacific overseas aid has achieved very limited success in the last 30 years in overcoming perceived problems. The reasons are many, including failure to diagnose the distinctive qualities of mirab economies, socio-cultural obstacles and a lack of political will, but much overseas aid is wrongly conceived and is inappropriate. However “aid” is valuable in the form of subsidies in maintaining living standards and stability.

For instance most of the largest development schemes in Kiribati in the 1970s were at least partially unsound in conception, organisation and management, manifesting many of the usual ethnocentric and technocratic faults of foreign aid. They were based on preconceived assumptions about local conditions and how local people would respond rather than being based on knowledge of actual conditions and involving them in planning the scheme. (17.8)

10. We challenge the conventional view of the western or “dualist” model }of development that the modern sector can expand to absorb virtually the entire population and that this can be done in a fairly short period of time. Overseas advisers usually promote economic dualism with all its faults and impose foreign models, philosophies or policies uncritically on to a unique culture and environment. (17.8)
11. A strong case exists both for aid playing a strategic economic role where it is adjusted to the particular conditions of each country (including the “mirab economy effect”) and for “aid” as subsidies (essentially for budget support) to maintain living standards in the New Zealand-linked states. (17.11)
12. Although the public services in several of the island states are proportionately very large and in some cases perhaps could be pruned (if it is decided to subsidise producers rather than bureaucrats) it should be remembered that they are primarily the creatures of the aid process and are therefore, in the main.
13. New Zealand aid has not been particularly successful in transferring temperate, capitalist agricultural technology overseas to “post-tribal” or peasant societies in the hot, wet tropics. On the other hand a great deal more success has been achieved in the area of forestry. It is suggested that a proportionately greater role be accorded to the Forest Service and to the Department of Education in New Zealand's ODA programmes. (17.13)
14. The essence of effective aid is understanding of the local context in order to know what is appropriate and relevant - whether the innovation, like a shoe, will “fit”. In practice many innovations are ineffective, as they do not fit or the understanding of the local economy or society is deficient. Hence resources are wasted. (17.14)

15. Effective aid requires a plurality of policies often within the one country (e.g. the example of the Kwaio of Malaita, Solomons).
16. The implementation of ODA programmes in host countries is not a simple process of responding to local government's requests, as is widely believed. The illusions and delusions of development planners need to be understood. Development plans are written by planners and involve little political involvement or commitment. While a properly thought out plan is of major use to a country, the politicians seem to realise that the development process is in no way determined by development planning. (17.17)
17. The usual aid approaches of Western countries lead to very uneven delivery of the aid assistance, because of the unequal access of different regions and classes. Thus aid serves to widen class, urban-rural and regional disparities. It is important to target aid through specific programmes to the particular locations and circumstances of the lower classes and more isolated regions well beyond the major islands, "beyond the tarmac road." (17.18)
18. The work of the Aid Advisory Committee is commended but it is proposed that more means be provided (especially in the provision of up-to-date information) to enable it to monitor official ODA more effectively. (17.19)
19. Although there is a high standard of professionalism in the Ministry of Foreign Affairs and Economic Aid Division, the low priority of aid within the overall role of the Ministry is to be regretted.
20. It is proposed that creating a career-structure on South Pacific affairs is an essential prerequisite for building a highly professional, skilled South Pacific division and that the present practice of large numbers of staff serving merely one term of years before moving on to other countries be discontinued (at least for a proportion of staff). Much greater continuity is required and the in-depth acquisition of specialised linguistic, socio-cultural and economic competence on the various island groups. Employment of sensitive people with considerable empathy for island life is of course essential. The appointment of one or two able economists is needed by the MFA to improve the quality of macro economic analysis.

## CHAPTER SEVENTEEN

### THE WIDER PACIFIC SCENE

1. Parallel trends, similar to those identified in the five and small states studies, appear to be occurring in a number of the Pacific Island economies. It appears that the MIRAB economy and its consequences does exist elsewhere, explaining why autonomous bootstrap development and conventional policies have been so singularly unsuccessful.
2. For example, it appears that the “internationalisation” of Tongan culture began about 1965. By 1980 there was significant concentrations of Tongans in New Zealand, Australia, Fiji and the United States and a few in Britain. The Tongan kindred has become truly multi-national with the colonisation of niches of economic opportunity in several countries. “Resources” in this international setting can be identified as jobs, property, positions, reputation and influence in local authorities.
3. The King of Tonga provides a good illustration of the broad geographical perspective of elites. In a world of more powerful states he has attempted to gain leverage by conducting negotiations with individuals or government representatives in the United States, Australia, New Zealand, Japan, India, Saudi Arabia, the USSR and Libya. He appears to wish to find a large investor who will subsidise Tonga development and replace diverse dependency perhaps by a narrower kind of clientage.
4. Operating in an international dimension of networks of kinsmen, elites are able to choose between various options of maximising resources, status and power. These elites are often closely linked with metropolitan economic and political institutions and their horizon is not limited by the nation-state model.
5. Banaba society provides one of the most interesting examples of an island society maximising etc options internationally. Banabans have operated in several context to “touch” all their options without foreclosing any. Thus they were resettled from their phosphate-rich island to Rabi Island in Fiji, and they have conducted record breaking litigation in the Privy Council to redress grievances and secure adequate compensation. At the same time they have maintained their identity both as a people under colonial rule in Fiji and as owners of their economically rich though devastated homeland.
6. Over 10 percent of all Pacific Islanders/excluding Papua New Guineans) now live in a metropolitan country of the Pacific rim - Australia, New Zealand, the United States or Canada. Pacific migration has now reached a level that makes it very significant in historical or world terms. For example by 1972 American Samoans already resident in Hawaii or the American homeland outnumbered those in their island home by almost two to one. And now Vancouver is Fiji's third largest city. Only the many entry restrictions and immigration barriers in metropolitan countries prevent the sizeable migration of Pacific Islanders to Pacific countries from becoming a flood.





## LIST OF PEOPLE INTERVIEWED

In addition to the many staff of the Ministry of Foreign Affairs who gave their time, the Team wish to thank the following people who were interviewed in the course of this study:

### WELLINGTON

#### Aid Advisory Committee members

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| Dave Morgan           | New Zealand Seamen's Union                                                 |
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| Judith Hunstman | Anthropology Department, Auckland University                        |
| Terry Loomis    | Anthropology Department, Auckland University                        |
| S.P.Money       | Horticultural Superintendent, Ministry of Agriculture and Fisheries |
| Tom Ryan        | Anthropology Department, Auckland University,                       |
| John Springford | Former Deputy Secretary, Dept of Island Affairs                     |

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COOK ISLANDS

Cathy Brown                Manager, Cashmere Macnicol clothing factory,  
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Fred Charley               Chief Agricultural Officer, Aitutaki

HE Sir Gavin Donne KBE      Queen's Representative

William Estall              Former Cabinet Minister

Father George              Roman Catholic priest, Aitutaki

Ka'a Henry                 Cook Islands Party, Aitutaki

John Hermann              University of the South Pacific Extension Centre,  
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Dr Allan Laws              Medical School, University of Otago

Tai Manuela                Department of Development Planning

Dr Bob McKegg              Medical School, Auckland University

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Terepai Moata              Former Cabinet Minister, Cook Islands Party

Harry Napa                 Motel owner, former Turners and Growers agent

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| Trevor Simmons            | Chief Postmaster, Rarotonga                                   |
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| Mana Strickland           | Vice President, Democratic Party                              |
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| Kato Tama                 | Secretary of Agriculture, Rarotonga                           |
| Paul Tipping              | New Zealand Representative                                    |
| Andrew Turua              | Head of Statistics Office, Rarotonga; Chief Electoral Officer |
| Poko Tutaka               | Dept of trade, Labour and Transport                           |
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#### KIRIBATI

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| Sister Areta              | Manoku Mission                           |
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| Atanroi Baiteke           | Secretary of Foreign Affairs             |
| Father Benititom          | Manoku Mission                           |
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| Hon. Babera Kirata OBE    | Minister of Natural Resources            |
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| Sister Francis Xavier     | Manoku Mission                           |
| Barerei Onorio            | Chief Fisheries Officer                  |

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| Steve Pollard            | Economist                              |
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| John Ikakeau Tonganibeia | Secretary for Communication            |
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#### NIUE

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| Lika Lipitoa     | Assistant Secretary to Government , Planning |
| Hon. F.F.Lui     | Assembly member                              |
| Malcolm McNamara | New Zealand Representative                   |
| Dr Harry Nemaia  | Former Director of Health                    |

|                                                                  |                                   |
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| Bradley Puna                                                     | Director of Agriculture           |
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| Jim Russell                                                      | Director of Finance               |
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| Morris Tafatu                                                    | Assembly member                   |
| Ikipa Tongatule                                                  | Assistant Secretary to Government |
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#### TOKELAU OFFICE, APIA

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| Hosea Kirifi    | Director of Education                 |
| Kima Levu       | Former Director of Works              |
| Mrs Lagi Moala  | Tokelau Public Service                |
| Simeti Moala    | Deputy Director of Administration     |
| Casimilo Perez  | Director of Administration            |
| Dr Iuta Tinielu | Director of Health                    |
| Semu Uili       | Director of Agriculture and Fisheries |

#### RADIO DISCUSSION WITH THE FAIPULE, TOKELAU

Tauanau Kele (Nukunonu)  
 Amusia Oatea (Atafu)  
 Faafoi Sakaria (Fakaofo)  
 Dr Iona Tinielu  
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## TUVALU

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| Charles Borman             | Chief Agricultural Officer                                                  |
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| Bob Perrott                | Finance Department                                                          |
| Rt Hon. Dr Tomasi Puapua   | Prime Minister, Minister for Foreign Affairs, Minister for Local Government |
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| Tauaasa Taafaki            | Secretary of Commerce and Natural Resources                                 |
| Itibo P. Tofinga           | Cooperatives Officer                                                        |
| Matia Tuafam               | Manager, Tuvalu Cooperative Society                                         |
| David Wakefield            | Secretary of Finance                                                        |

NZ HIGH COMMISSION SUVA

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| Alex Mathieson | First Secretary              |
| Warren Searle  | First Secretary              |
| David Ward     | Second Secretary             |

UNITED NATIONS DEVELOPMENT PROJECT, SUVA

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SOUTH PACIFIC BUREAU FOR ECONOMIC COOPERATION, SUVA

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| Mahe Tupouniua | Director |
|----------------|----------|



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The sources for this study have been threefold. First and most basic have been official New Zealand Government files (especially Ministry of Foreign Affairs, Ministry of Transport, and Department of Trade and Industry) and publications (especially the Appendices to the Journals of the House of Representatives). The second main source has been field work and interviews with a wide range of people (see list preceding this bibliography). Third have been the published and unpublished sources listed below.

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