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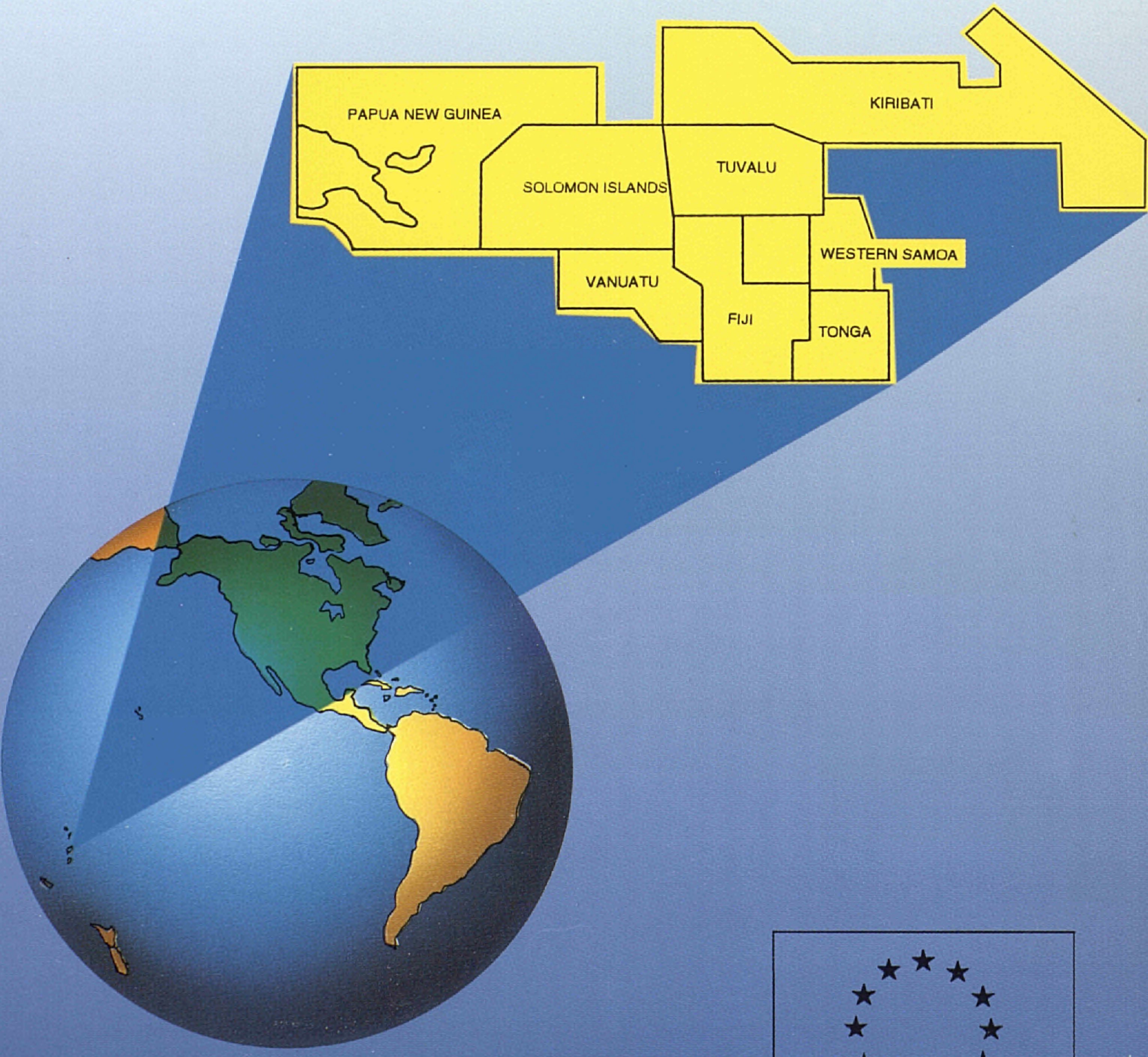
Statistisches Bundesamt

Country profile

The Pacific ACP countries



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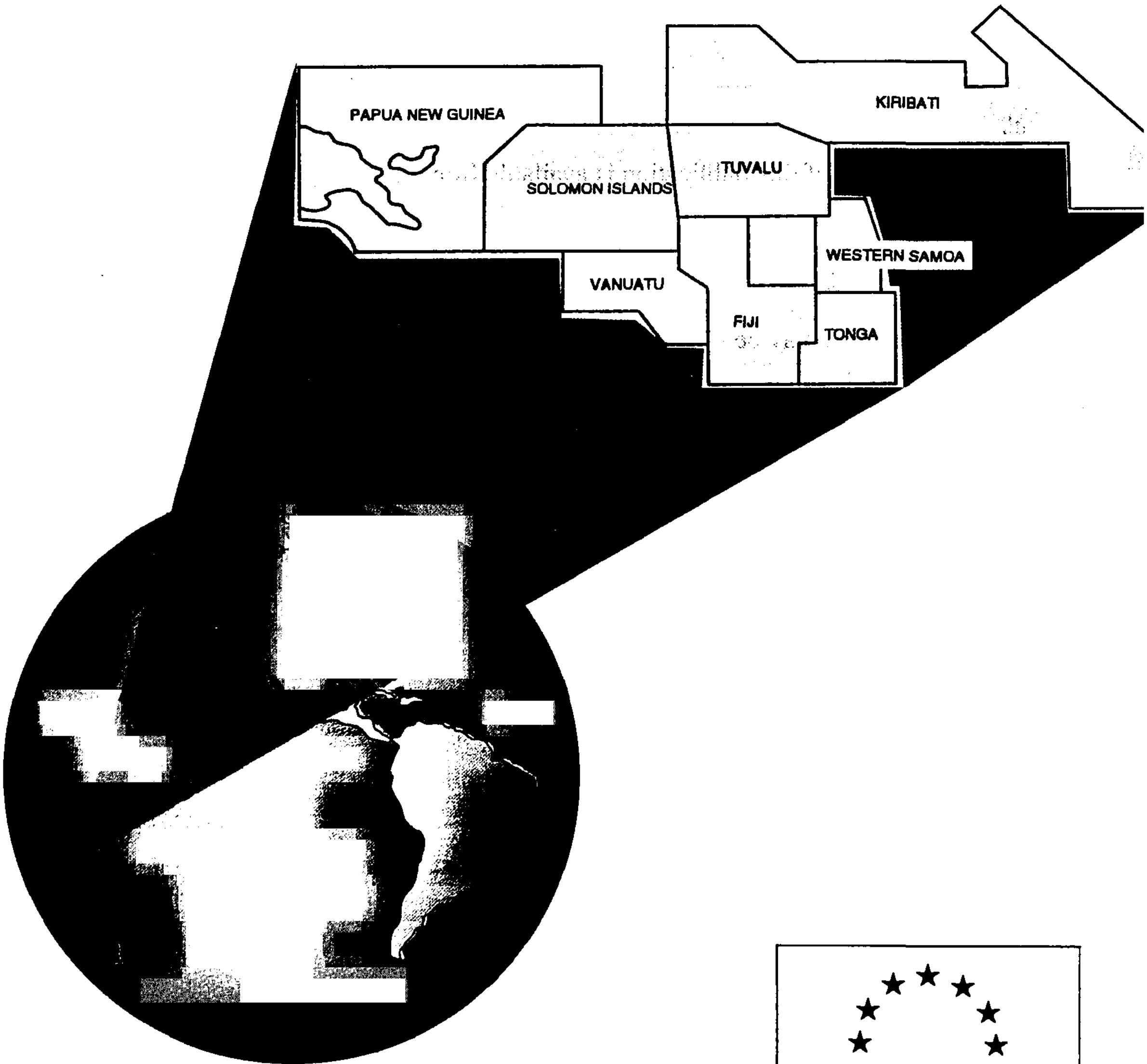

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A great deal of additional information on the European Union is available on the Internet. It can be accessed through the Europa server (http://europa.eu.int)

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CONTENTS

EXPLANATION OF SYMBOLS

0	=	Less than half of 1 at the last occupied digit, but more than nil
-	=	Magnitude zero
I	=	General break in the series affecting comparison over time
.	=	Figure unknown
x	=	Tabular group blocked, because information is not meaningful

SELECTED INTERNATIONAL WEIGHTS AND MEASURES

1 inch (in)	=	2.540 cm	1 imperial gallon (imp. gal.)	=	4.546 l
1 foot (ft)	=	0.305 m	1 barrel (bl.)	=	158.983 l
1 yard (yd)	=	0.914 m	1 ounce (oz)	=	28.350 g
1 mile (mi)	=	1.609 km	1 troy ounce (troy oz)	=	31.103 g
1 acre (ac)	=	4 047 m^2	1 pound (lb)	=	453.592 g
1 cubic foot (ft^3)	=	28.317 dm^3	1 short ton (sh t)	=	0.907 t
1 gallon (gal.)	=	3.785 l	1 long ton (l t)	=	1.016 t

GENERAL ABBREVIATIONS*

g	= gram		LIT	=	Italian lira
kg	=	kilogram	LFR	=	Luxembourg franc
dt	=	quintal (100 kg)	HFL	=	Dutch guilder
t	=	tonne (1 000 kg)	S	=	Austrian schilling
mm	=	millimetre	ESC	=	escudo
cm	=	centimetre	SKR	=	Swedish krona
m	=	metre	PTA	=	peseta
km	=	kilometre	USD	=	US dollar
m^2	=	square metre	SDR	=	special drawing right
ha	=	hectare (10 000 m^2)	cu	=	Currency unit
km^2	=	square kilometre	h	=	hour
l	=	litre	kW	=	kilowatt (10^3 watts)
hl	=	hectolitre (100 l)	kWh	=	kilowatt-hour
m^3	=	cubic metre	MW	=	megawatt (10^6 watts)
tkm	=	tonne-kilometre	MWh	=	megawatt-hour
GRT	=	gross registered tonne	GW	=	gigawatt (10^9 watts)
tdw	=	tonnes deadweight	GWh	=	gigawatt-hour
F$	=	Fiji dollar	P	=	pair
A$	=	Australian dollar/Kiribati	Mio	=	million
K	=	Kina	Bn	=	billion (thousand million)
WS$	=	Tala	av	=	average
SI$	=	Solomon Islands dollar	p.a.	=	per annum
T$	=	Pa'anga	YB	=	beginning of year
VT	=	Vatu	YM	=	mid-year
BFR	=	Belgian franc	YE	=	year-end
DKR	=	Danish krone	Yav	=	annual average
DM	=	German mark	Qrt.	=	quarter
FMK	=	Finnish markka	HY	=	half-year
FF	=	French franc	MA	=	monthly average
DR	=	drachma	cif	=	cost, insurance and freight included
UKL	=	pound sterling			
IRL	=	Irish punt	fob	=	free on board

* Special abbreviations are allocated to the respective sections. With only a few exceptions, provisional, revised and estimated figures are not marked as such. Detail may not add to total because of rounding.

OFFICIAL, NATIONAL, INTERNATIONAL AND OTHER ABBREVIATIONS

ADB	=	Asian Development Bank, Manila, Philippines
AIDS	=	acquired immune deficiency syndrome
ACP	=	African, Caribbean and Pacific countries (parties to the Lomé Convention with the EU)
APEC	=	Asia-Pacific Economic Cooperation, Singapore
ASEAN	=	Association of South-East Asian Nations, Jakarta, Indonesia
BIS	=	Bank for International Settlements, Basel
Comext	=	database of external trade statistics (Eurostat)
DAC	=	Development Assistance Committee, Paris (OECD committee for development assistance)
ECU	=	European Currency Unit
EEZ	=	exclusive economic zone
EIB	=	European Investment Bank, Luxembourg
EIU	=	Economist intelligence unit
ESCAP	=	United Nations Economic and Social Commission for Asia and the Pacific, Bangkok, Thailand
EU	=	European Union, Brussels/ Luxembourg
Eurostat	=	Statistical Office of the European Union, Luxembourg/Brussels
FAO	=	Food and Agriculture Organization of the United Nations, Rome
FFA	=	Forum Fisheries Agency, Honiara
FMR	=	Fisheries Management Regime
FSC	=	Fiji Sugar Corporation
GATT	=	General Agreement on Tariffs and Trade (UN) Geneva
GDP	=	Gross Domestic Product
IAEA	=	Internation Atomic Energy Agency, Vienna
IBRD	=	International Bank for Reconstruction and Development (World Bank) (UN) Washington
ICAO	=	International Civil Aviation Organization, Montreal
ICJ	=	International Court of Justice, The Hague
IDA	=	International Development Association, Washington DC
IFC	=	International Finance Corporation, Washington DC
ILO	=	International Labour Organization, Geneva
IMF	=	International Monetary Fund (UN) Washington, DC
IMO	=	International Maritime Organization, London
ITU	=	International Telecommunications Union, Geneva

OFFICIAL, NATIONAL, INTERNATIONAL AND OTHER ABBREVIATIONS (continued)

IUCN = International Union for Conservation of Nature and Natural Resources (World Conservation Union), Gland, Switzerland

LDC = less developed country

MFA = Multi-fibre Arrangement

MSG = Melanesian Spearhead Group

NGO = non-governmental organization

ODA = Official Development Assistance

ODF = Official Development Finance

OECD = Organization for Economic Cooperation and Development, Paris

OOF = Other Official Flows

PAFCO = Pacific Fishing Company

PFEA = Pacific Forum Energy Agency, Fiji

PIACC = Pacific Islands Association of Chambers of Commerce

RERF = Revenue Equalization Reserve Fund

SIPL = Solomon Islands Planations Ltd

SITC = Standard International Trade Classification

SOPAC = South Pacific Applied Geoscience Commision, Fiji

SPC = South Pacific Commision, Nouméa, New Caledonia

SPEC = South Pacific Bureau for Economic Cooperation, Suva, Fiji

SPESS = South Pacific Economies Statistical Summary

SPF = South Pacific Forum

SPFS = South Pacific Forum Secretariat, Suva, Fiji (former SPEC)

Sparteca = South Pacific Regional Trade and Economic Cooperation Agreement

SPREP = South Pacific Regional Environmental Programme, Apia, Western Samoa

Stabex = System of Stabilization of Export Earnings (EU) (OECD)

TC = Technical Co-operation

TCSP = Tourism Council of the South Pacific, Suva, Fiji

TTF = Tuvalu Trust Fund

UMP = Union of Moderate Parties

UN = United Nations, New York

UNCTAD = United Nations Conference on Trade and Development, Geneva

UNEP = United Nations Environment Programme, Nairobi, Kenya

UNESCO = United Nations Educational, Scientific and Cultural Organization, Paris

UNICEF = United Nations Children's Emergency Fund, New York

OFFICIAL, NATIONAL, INTERNATIONAL AND OTHER ABBREVIATIONS (continued)

UNIDO = United Nations Industrial Development Organization, Vienna

UPU = Universal Postal Union, Bern

USP = University of the South Pacific

WHO = World Health Organization, Geneva

WIPO = World Intellectual Property Organization (UN), Geneva

WMO = World Meteorological Organization, Geneva

WRI = World Resources Institute

WTO = World Tourism Organization, Madrid

WTO = World Trade Organization, Geneva (former GATT)

LIST OF TABLES

Page

LIST OF GRAPHICS

INTRODUCTION

The spotlight for the country profiles published in the 'Statistik des Auslandes' series has been moved back onto groups of countries, and this regional profile on the Pacific ACP countries focuses on the eight Pacific countries with which the European Union conducts a wide range of economic and development cooperation policies under the Lomé Convention. These eight countries are Fiji, Kiribati, Papua New Guinea, the Solomon Islands, Western Samoa, Tonga, Tuvalu and Vanuatu.

This profile of the Pacific ACP countries adopts an eclectic approach, whose main purpose is to highlight features which are specific both to the region and to the individual countries. The emphasis is not therefore on dealing with the gamut of economic and social aspects, but on presenting the salient features and problems of the economy in the area, the most striking differences between the countries and the most important external relations for most of the countries in the Pacific, particularly those with the major forces in the region, i.e. Australia and New Zealand, as well as with the East and South-East Asian countries and, of course, the European Union. Only in cases where this was associated with far-reaching economic consequences, or overriding analytical considerations so dictated, were identifiable similarities or common structural characteristics and patterns of development presented on a country-by-country basis.

The profile begins with a short historical overview and prognosis as to future developments, followed by an analysis of the economic structure and development of the whole area and the eight countries. There then follows an analysis of various economic sectors, the emphasis being on agriculture, forestry and fisheries and tourism, which are central to the economic life of most of these countries. The analysis of external relations focuses on the development of foreign trade, foreign direct investment, development aid and the foreign debt situation. The economic analyses are rounded off with a short description of the economic systems of the Pacific ACP countries and the economic policies they pursue, and the profile ends by examining the state of the environment in the Pacific. There is also a special section entitled 'Selected basic indicators', which offers a comprehensive inter-country comparison on the basis of key economic, demographic and social data. This section also includes data on several countries from other parts of the world so that the reader can compare how the Pacific countries rank internationally in terms of development.

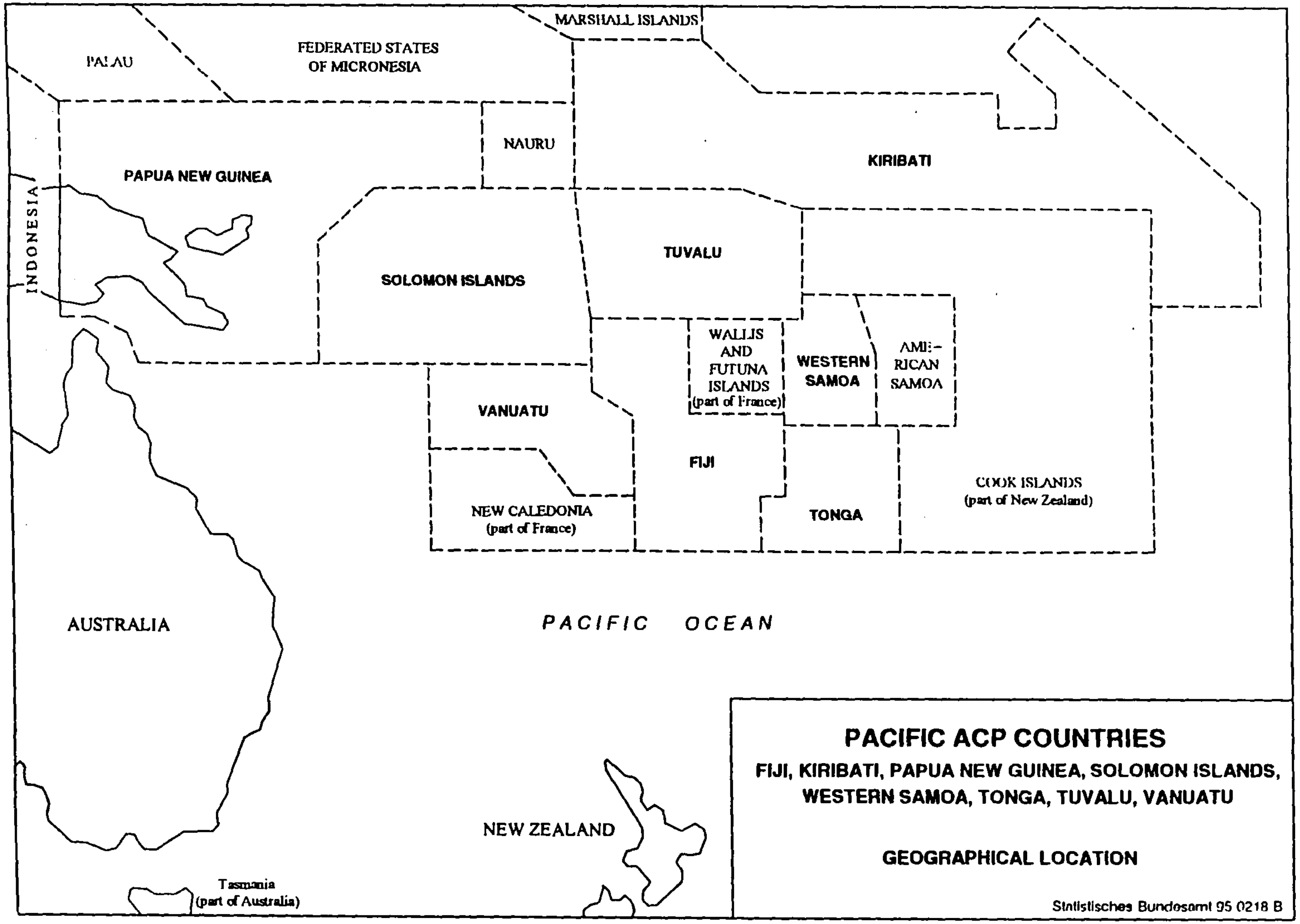
The Statistisches Bundesamt was responsible for the chapters on the regional economies and the environment, while Eurostat commissioned the 'IFO Institut für Wirtschaftsforschung e.V.' in Munich to write the chapters on foreign economic affairs.

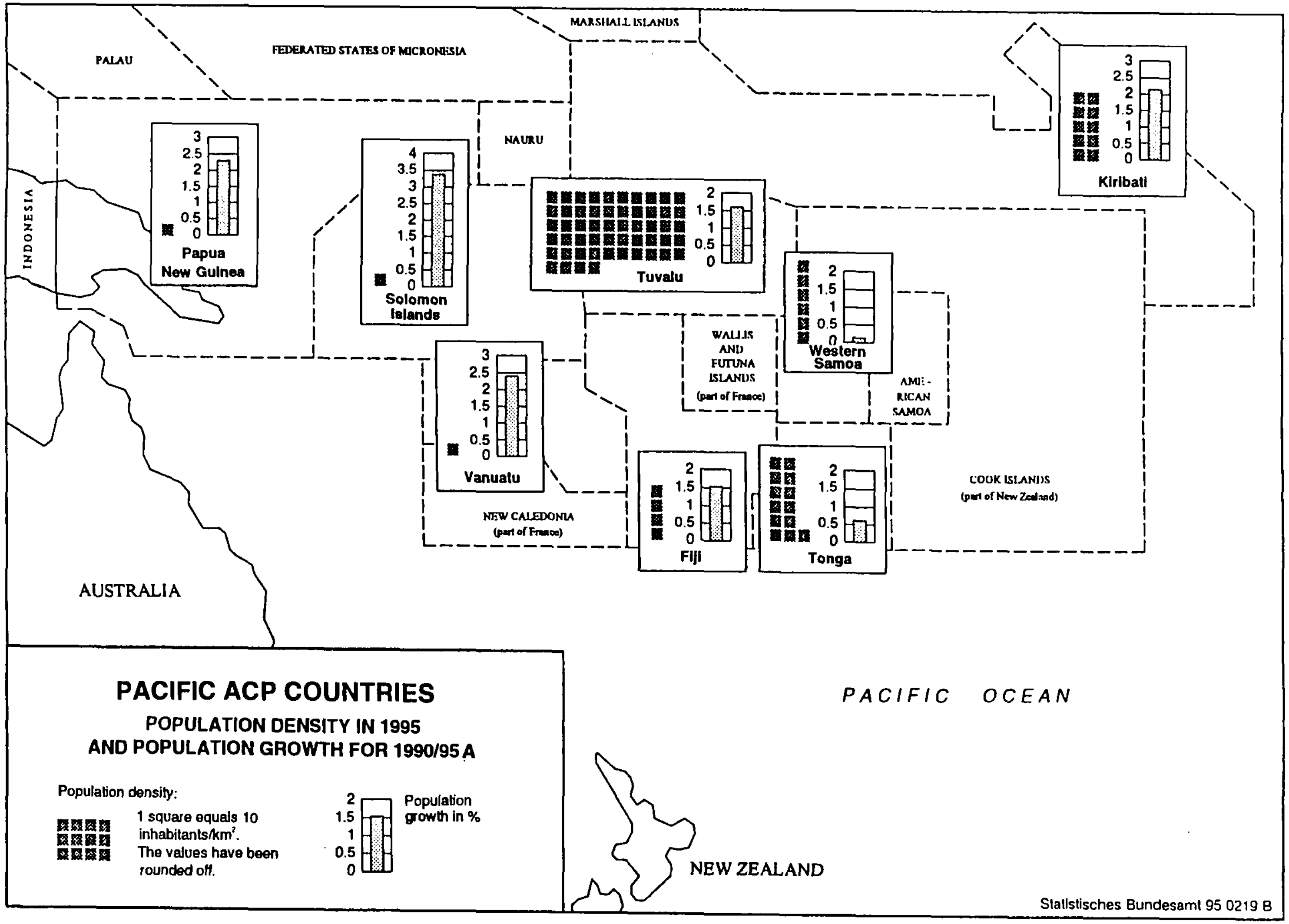
The regional profile on the Pacific ACP countries was mainly based on international statistics, since current official data from the national organizations were often not available or were not appropriate for inter-country comparisons. Despite the fact that a number of international statistical collections were used, up-to-date statistical material was not always available for all the countries in the region. The data on Kiribati and Tuvalu were particularly patchy. In view of the predominant use of international statistics, it is possible that the figures diverge from those in the corresponding individual country reports on the Pacific countries, as the latter relied much more heavily at times on national sources. More detailed methodological explanations and definitions giving a better idea of the statistics used can be found in the relevant chapters of this profile, while the Bibliography at the end contains information on the statistics and background material used as references.

The Information Service of the Berlin branch of the Statistisches Bundesamt will be happy to assist users seeking the original sources, figures on the Pacific ACP countries in a more detailed breakdown by subject or over time, or further information on the bases used for the calculations. More detailed information on the statistics used can also be obtained from the Statistical Office of the European Union (Eurostat) in Luxembourg.

The maps in this report have been provided solely for illustrative purposes and had to be simplified substantially in order to give a general picture of the Pacific region, which is made up of a number of scattered island groups. In using the designations and borders shown, the Statistisches Bundesamt and Eurostat are not passing judgment on the legal status of any of the territories or confirming or recognizing any borders. With some justifiable exceptions, standard international spellings are used for the geographical designations. They may, therefore, diverge slightly from atlases published in the English-speaking world.

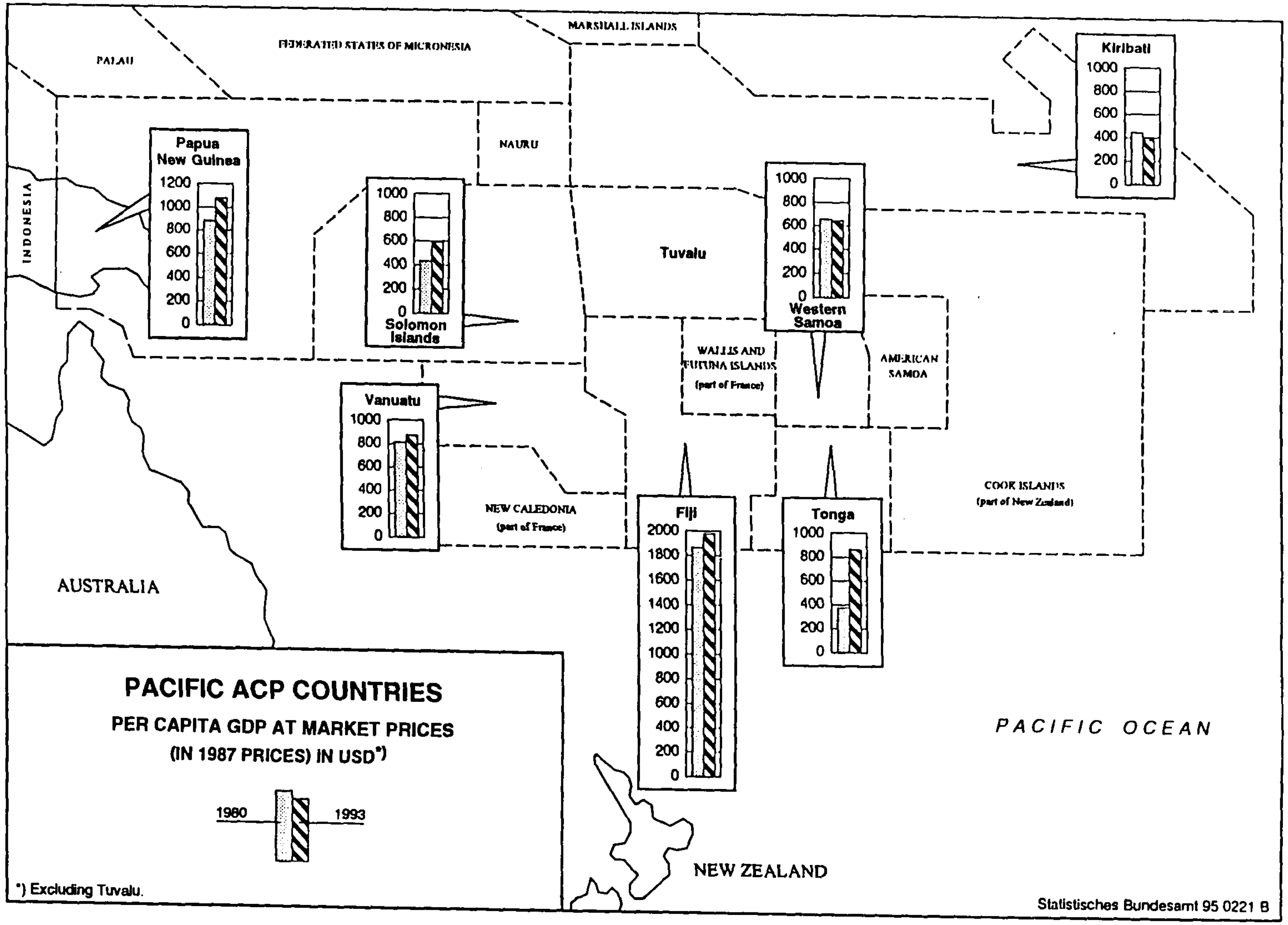
The unification of Germany took place with effect from 3 October 1990 when the German Democratic Republic joined the Federal Republic of Germany. Figures given for the whole of Germany within its territorial boundaries since 3 October 1990 are said to relate to 'Germany'. The designation used for the Federal Republic of Germany within its territorial boundaries up to 3 October 1990 is the 'former territory of the Federal Republic'.

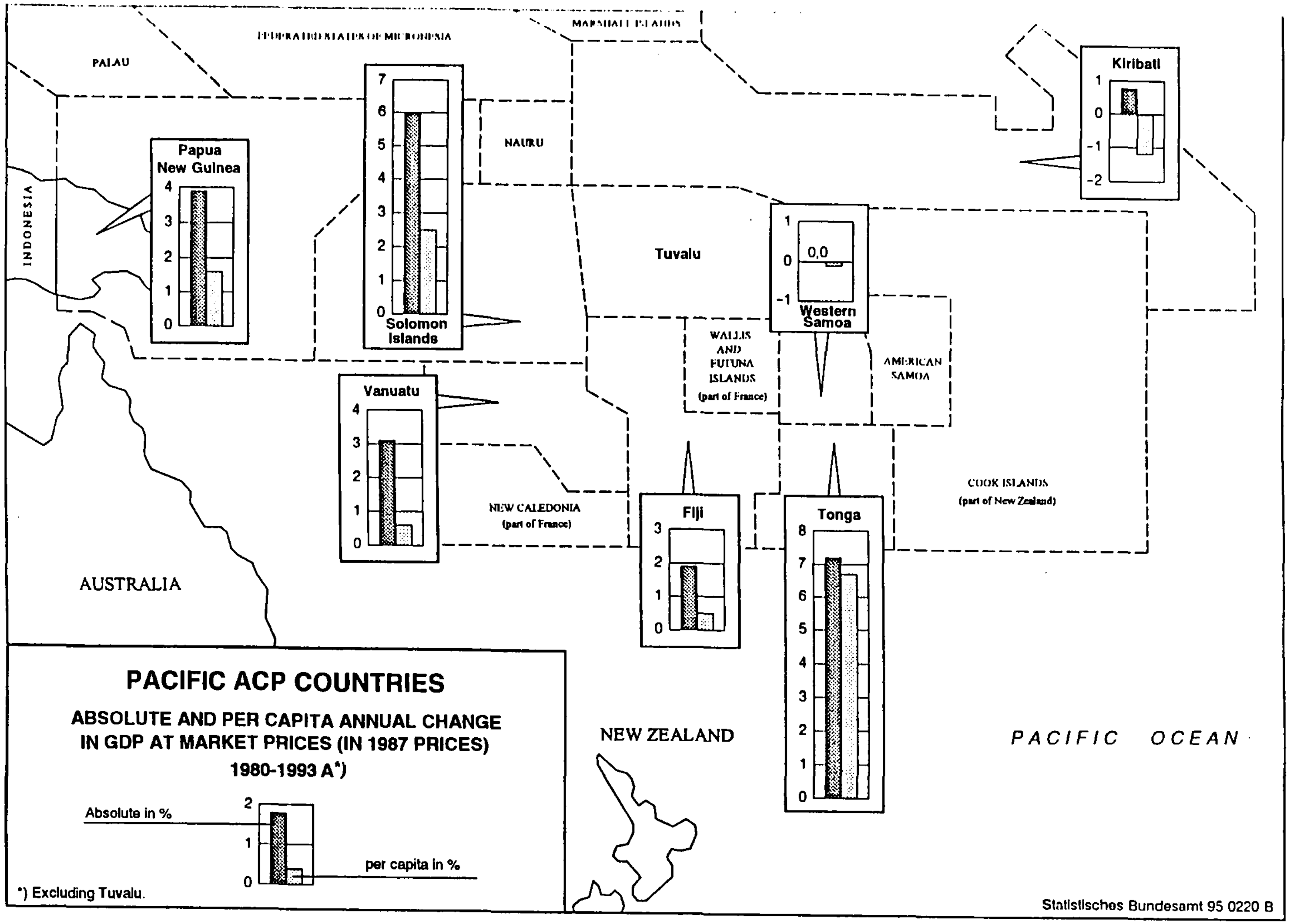

MARSHALL ISLANDS
PALAU
FEDERATED STATES OF MICRONESIA
NAURU
KIRIBATI
PAPUA NEW GUINEA
INDONESIA
SOLOMON ISLANDS
TUVALU
WALLIS AND FUTUNA ISLANDS (part of France)
WESTERN SAMOA
AMERICAN SAMOA
VANUATU
FIJI
NEW CALEDONIA (part of France)
TONGA
COOK ISLANDS (part of New Zealand)
AUSTRALIA
PACIFIC OCEAN
NEW ZEALAND
Tasmania (part of Australia)
PACIFIC ACP COUNTRIES
FIJI, KIRIBATI, PAPUA NEW GUINEA, SOLOMON ISLANDS, WESTERN SAMOA, TONGA, TUVALU, VANUATU
GEOGRAPHICAL LOCATION
Statistisches Bundesamt 95 0218 B



PACIFIC ACP COUNTRIES

POPULATION DENSITY IN 1995 AND POPULATION GROWTH FOR 1990/95 A


PACIFIC ACP COUNTRIES
PER CAPITA GDP AT MARKET PRICES
(IN 1987 PRICES) IN USD*)
1980
1993
*) Excluding Tuvalu.
PALAU
FEDERATED STATES OF MICRONESIA
MARSHALL ISLANDS
NAURU
INDONESIA
Papua New Guinea
Solomon Islands
Vanuatu
NEW CALEDONIA (part of France)
Tuvalu
Western Samoa
WALLIS AND FUTUNA ISLANDS (part of France)
AMERICAN SAMOA
Kiribati
Fiji
Tonga
COOK ISLANDS (part of New Zealand)
AUSTRALIA
NEW ZEALAND
PACIFIC OCEAN
Statistisches Bundesamt 95 0221 B


PACIFIC ACP COUNTRIES
ABSOLUTE AND PER CAPITA ANNUAL CHANGE IN GDP AT MARKET PRICES (IN 1987 PRICES) 1980-1993 A*)
Absolute in %
per capita in %
*) Excluding Tuvalu.
PALAU
NAURU
INDONESIA
AUSTRALIA
NEW ZEALAND
PACIFIC OCEAN
Papua New Guinea
Solomon Islands
Vanuatu
Fiji
Tuvalu
Western Samoa
0,0
Tonga
Kiribati
WALLIS AND FUTUNA ISLANDS (part of France)
AMERICAN SAMOA
NEW CALEDONIA (part of France)
COOK ISLANDS (part of New Zealand)
Statistisches Bundesamt 95 0220 B

SELECTED BASIC INDICATORS

Country	Area	Population	Inhabitants per km2	Population in 2025	Population growth	
	1995			2025	1990/95	1995/2025
	km2	1 000	Number	1 000	% p.a.	
Fiji	18 274	784	42,9	1 161	+ 1.54	+ 1.32
Kiribati	811	79	97,4	132	+ 2.16	+ 1.73
Papua New Guinea	462 840	4 302	9,3	7 532	+ 2.30	+ 1.88
Solomon Islands	28 370	378	13,3	844	+ 3.39	+ 2.71
Western Samoa	2 831	159	56,2	177	+ 0.13	+ 0.36
Tonga	780	99	126,9	117	+ 0.62	+ 0.56
Tuvalu	24	13	541,7	20	+ 1.61	+ 1.45
Vanuatu	12 190	169	13,9	334	+ 2.41	+ 2.30
Germany	356 974	81 591	227,6	76 442	+ 0.55	- 0.22
Hungary	93 032	10 115	108,7	9 397	- 0.49	- 0.25
Mauritius	2 040	1 117	547,5	1 481	+ 1.11	+ 0.94
Bahamas	13 878	276	19,9	378	+ 1.52	+ 1.05
Philippines	300 000	67 581	225,3	104 522	+ 2.14	+ 1.46
New Zealand	270 534	3 575	13,2	4 376	+ 1.25	+ 0.68

Country	Life expectancy at birth	Live births	Deaths	Deaths in first year of life	Total fertility rate 1)
	1990/95 av				1990/95 av
	Year	per 1 000 inhabitants		per 1 000 live births	
Fiji	71	24	5	23	3.0
Kiribati	57 2)	33 2)	11 2)	54 2)	3.8 2)
Papua New Guinea	56	33	11	68	5.1
Solomon Islands	70	37	4	27	5.4
Western Samoa	68	37	6	64	4.5
Tonga	68 3)	26 3)	4 3)	.	3.6 2)
Tuvalu	.	25 4)	11 4)	38 4)	.
Vanuatu	65	35	7	47	4.7
Germany	76	10 5)	11 5)	6 5)	1.5
Hungary	70	12	14	14	1.8

SELECTED BASIC INDICATORS (continued)

	Life expectancy at birth	Live births	Deaths	Deaths in first year of life	Total fertility rate1)
	1990/95 av				1990/95 av
	Years	per 1 000 inhabitants		per 1 000 live births	
Mauritius	70	21	7	21	2.0
Bahamas	72	19	5	24	2.0
Philippines	66	30	6	44	3.9
New Zealand	76	17	8	9	2.2

1) Total fertility rate: total number of children that would be born live to a woman during her lifetime if she were to pass through her childbearing years conforming to the age-specific fertility rates of a given year.
2) 1992.
3) 1991.
4) 1990.
5) 1993.

Country	Urban population 1995	Overall age dependency ratio1) 1995	Population with access to		
			Health services2)	Drinking water3)	Sanitary installations4)
			1985/91	1988/91	
	%		%		
Fiji	40.7	62.3	100	79	75
Kiribati	39.1	.	.	.	.
Papua New Guinea	17.8	73.7	97	32	56
Solomon Islands	17.1	89.9	80	60	73[5)]
Western Samoa	23.4	98.8	100	83	94
Tonga	41.1	.	.	.	.
Vanuatu	19.3	89.9	82	74	46
Germany	86.4	45.6	.	.	.
Hungary	67.7	47.3	.	.	.
Mauritius	40.7	50.5	100	100	98
Bahamas	66.6	52.5	100	100	100
Philippines	45.7	71.4	75	82	69
New Zealand	84.3	53.2	.	.	.

SELECTED BASIC INDICATORS (continued)

Country	Calorie intake 1988/90 av: Total % of requirement	Calorie intake 1988/90 av: Per capita kcal/Day	Year	Doctors: Number	Doctors: per 10 000 inhabitants
Fiji	108	2 770	1991	352	4.8
Kiribati	.	2 516	1990	16	2.3
Papua New Guinea	116	2 590	1989	361	1.0
Solomon Islands	84	2 280	1988	31	1.0
Western Samoa	.	2 695	1990	44	2.8
Tonga	.	2 967	1989	45	4.7
Tuvalu	.	.	1990	4	3.3
Vanuatu	.	2 740	1990	20	1.3
Germany	130[6)]	3 472[6)]	1993	259 981	32.0
Hungary	137	3 608	1991	35 069	33.3
Mauritius	128	2 897	1992	916	8.3
Bahamas	.	2 776	1992	357	13.5
Philippines	104	2 341	1993	78 445	11.8
New Zealand	131	3 462	1991	10 331	30.2

1) Ratio of the number of persons aged under 15 or 65 and over per 100 persons aged from 15 to 64.
2) Proportion of the population who are able to reach an adequate local health centre within one hour by local transport.
3) The WHO defines this as either mains water or a public standpipe within a 200 m radius. In rural communities, it means that a family does not spend an inordinate amount of time fetching water. Drinking water is defined as purified surface water and unpurified water drawn from protected springs, bore holes and wells.
4) Population in towns connected to the public sewage system, private facilities such as septic tanks, latrines with flushing or pouring devices, settling tanks, communal facilities and suchlike. In rural communities this category must include appropriate facilities (sewage pits, latrines, etc.)
5) In urban areas.
6) Former territory of the Federal Republic.

Country	Year	Hospital beds: Number	Hospital beds: per 1 000 inhabitants	Cases of AIDS[1)]: Date of report	Cases of AIDS[1)]: Number	Cases of AIDS[1)]: per 1 000 inhabitants
Fiji	1990	1 747	24.1	30.9.1994	7	0.1
Kiribati	1990	283	39.9	30.9.1994	1	0.1
Papua New Guinea	1989	15 335	40.5	30.11.1994	87	0.2
Solomon Islands	1986	1 479	53.0	-	-	-
Western Samoa	1989	644	40.8	30.9.1994	1	0.1
Tonga	1989	307	32.0	31.12.1993	5	0.5

SELECTED BASIC INDICATORS (continued)

Country	Year	Hospital beds Number	Hospital beds per 1 000 inhabitants	Cases of AIDS[1)] Date of report	Cases of AIDS[1)] Number	Cases of AIDS[1)] per 1 000 inhabitants
Tuvalu	1990	30	25.0	-	-	-
Vanuatu	1990	364	24.3	-	-	-
Germany	1992	628 658	77.2	30.9.1994	11 854	1.5
Hungary	1992	101 809	96.9	30.9.1994	162	0.2
Mauritius	1992	3 134[2)]	28.5[2)]	30.6.1994	21	0.2
Bahamas	1992	1 020	38.6	30.6.1994	1 552	57.1
Philippines	1991	81 647	12.8	14.10.1994	166	0.0
New Zealand	1992	18 823[3)]	54.5[3]	30.6.1994	451	1.3

Country	Illiterates[4)]	Gross enrolment rate[5)]	Pupil-teacher ratio	Duration of school attendance
	1992			
	%	in primary school education		Years
Fiji	13	128	31	5,1
Kiribati	10[6)]	.	29	.
Papua New Guinea	35	73	31	1,0
Solomon Islands	76	90	21	1,0
Western Samoa	2	.	27[7)]	5,8
Tonga	7	.	21	.
Tuvalu	4[8)]	.	21[9)]	.
Vanuatu	35	.	31	3.7
Germany	1	99[10)]	16[11)]	11.6
Hungary	1	89[12)]	12[12)]	9.8
Mauritius	20	106[12)]	21[12)]	4.1
Bahamas	1	105	22	6.2
Philippines	10	109	34	7.6
New Zealand	1	104	16	10.7

1) 'Acquired Immune Deficiency Syndrome'. Cases reported to the World Health organization (WHO) by the reporting date.
2) In State hospitals.
3) In general hospitals.
4) Persons aged 15 and over.
5) Gross enrolment rate: ratio of the number of persons enrolled for the level of education concerned in relation to the number of persons in the corresponding age group.
6) 1989. - 7) 1986. - 8) 1987. - 9) 1990. - 10) 1992/93.
11) Former territory of the Federal Republic. - 12) 1991.

SELECTED BASIC INDICATORS (continued)

Country	Activity rate 1993	Activity rate 2010 (Projection)	Persons working in agriculture 1993	Unemployment rate 1993
	% of total population		% of total labour force	
Fiji	34	35.5	37.2	5.9
Kiribati	46[1)]	52.4	13.0[1)]	2.8[1)]
Papua New Guinea	47	34.1	63.9	.
Solomon Islands	41[1)]	45.0	28.9[2)]	.
Western Samoa	30[1)]	32.9	63.6[3)]	.
Tonga	24[1)]	22.9	38.1[1)]	4.1[1)]
Tuvalu	46[1)]	43.8	68.0[2)]	.
Vanuatu	36[1)]	43.4	68[4)]	0.5[5)]
Germany	50	.	4.1	6.6[6)]
Hungary	50	.	10.0	12.1[7)]
Mauritius	40	.	21.3	.
Bahamas	49	.	5.5	14.8
Philippines	37	.	45.4	8.6[8)]
New Zealand	45	.	8.6	9.5

Country	Gross domestic product at market prices in 1987 (constant prices) 1980 Total	1980 per capita	1993 Total	1993 per capita	Change in GDP at market prices in 1987 (constant prices) 1980/93 Total	1980/93 per capita
	Mio USD	USD	Mio USD	USD	% p.a.	
Fiji	1 183.3	1 866	1 507.7	1 984	+1.9	+0.5
Kiribati	25.9	447	28.6	381	+0.8	-1.2
Papua New Guinea	2 718.1	881	4 451.1	1 083	+3.9	+1.6
Solomon Islands	98.6	434	211.0	596	+6.0	+2.5
Western Samoa	101.6	656	101.6	643	±0.0	-0.1
Tonga	34.4	374	84.6	863	+7.2	+6.6
Vanuatu	94.4	814	141.1	876	+3.1	+0.6
Germany[6)]	957 881	15 566	1 257 207	19 184	+0.0	+0.0
Hungary	21 965	2 051	21 289	2 071	-0.2	+0.1
Mauritius	1 205	1 247	2 545	1 291	+5.9	+4.8

SELECTED BASIC INDICATORS (continued)

	Gross domestic product at market prices in 1987 (constant prices)				Change in GDP at market prices in 1987 (constant prices)	
	1980		1993		1980/93	
	Total	per capita	Total	per capita	Total	per capita
	Mio USD	USD	Mio USD	USD	% p.a.	
Bahamas	1 798	8 562	2 375	8 860	+ 2.2	+ 0.3
Philippines	32 839	680	39 151	595	+ 1.4	- 1.0
New Zealand	30 722	9 869	39 590	11 435	+ 2.0	+ 1.1

1) 1990. - 2) 1991. - 3) 1986. - 4) 1990/92 A. - 5) 1989.
6) Former territory of the Federal Republic. - 7) 1993. - 8) 1992.

Country	Gross domestic product at factor cost by sector[1)]							
	Agriculture		Industry		of which Manufacturing industry		Other sectors	
	1980	1993	1980	1993	1980	1993	1980	1993
	%							
Fiji	22.1	19.6	22.0	20.0[2)]	11.9	10.5	55.8	61.5[2)]
Kiribati	20.8	24.3[2)]	9.0	9.2[2)]	2.1	2.1[2)]	70.3	66.6[2)]
Papua New Guinea[3)]	33.1	26.6	26.8	40.8	9.5	8.2	40.0	32.6
Solomon Islands	.	44.3[4)]	.	8.0[4)]	.	3.2[4)]	.	47.7[4)]
Western Samoa[3)]	.	42.9	.	21.5	.	12.0	.	35.6
Tonga	38.5	38.6	14.4	12.5	7.0	5.1	47.0	48.9
Tuvalu	.	21.2[5)]	.	21.3[5)]	.	5.1[5)6)]	.	57.6[5)]
Vanuatu	18.9[3)]	18.9	16.2[3)]	13.3	4.2[3)6)]	5.8	64.9[3)]	67.8
Germany[3)7)]	2.1	1.0	42.7	32.6	34.4	26.2	55.2	64.6
Hungary[3)]	17.1	5.6	41.2	28.4	33.8	19.2	41.7	66.0
Mauritius	12.4	9.9	25.9	33.4	15.3	23.3	61.8	56.7
Bahamas	2.3	2.1	13.8	12.1	.	.	83.9	85.8
Philippines	25.1	21.7	38.8	32.9	25.7	23.8	36.1	45.4
New Zealand	10.8	7.3[5)]	31.3	25.8[5)]	22.0	17.4[5)]	57.9	66.9[5)]

SELECTED BASIC INDICATORS (continued)

Country	Foreign visitors[8)]		Gross foreign exchange receipts from tourism 1993		Per capita primary energy consumption 1992
			Total	per capita	
	1 000	per 1 000 inhabitants	Mio USD	USD	kgoe[9)]
Fiji	287	377	236	311	342
Kiribati	4[10)]	53[10)]	1	13	95
Papua New Guinea	40	10	45	11	235
Solomon Islands	12	34	6	17	155
Western Samoa	47	297	21	133	285
Tonga	26[10)]	265[10)]	10	102	309
Tuvalu	1	77	.	.	.
Vanuatu	45	280	30	186	127
Germany[2)]	15 147[7)]	232[7)]	10 982	136	4 160
Hungary[2)]	20 188	1 967	1 251	122	2 302
Mauritius[2)]	335	310	299	277	385
Bahamas[2)]	3 538	13 402	1 084	4 045	2 280
Philippines[2)]	1 043	16	1 674	26	230
New Zealand[2)]	1 056	307	1 032	300	3 589

1) Current prices. - 2) 1992. - 3) Gross domestic product at market prices. 4) 1987. - 5) 1990.
6) Including mining and quarrying. 7) Former territory of the Federal Republic. - 8) Tourists, excl. passengers on cruises.
9) 1 kg crude oil equivalent , 41.860kJ NCV/kg (net calorific value/kg). - 10) Foreign visitors arriving by air.

Country	Motor cars	Main telephone connections	Radios	Televisions	Exchange rate for the national currency	
	1990	1993	1992		March 1995	
	per 1 000 inhabitants				Currency	CU per 1 USD
Fiji	49[1)2)]	72	603	16	$F	1.4021
Kiribati	4[2)]	23	200	.	$A	1.3755
Papua New Guinea	5[1)]	10	73	2	K	1.2099
Solomon Islands	3	15	118	6	SI$	3.3659
Western Samoa	12	44	481	38	WS$	2.4444
Tonga	24[3)]	60	551	10	T$	1.2824
Tuvalu	.	.	231		$A	1.3755
Vanuatu	28[2)]	26	283	13	VT	113.155

SELECTED BASIC INDICATORS (continued)

Country	Motor cars	Main telephone connections	Radios	Televisions	Exchange rate for the national currency	
	1990	1993	1992		March 1995	
	per 1 000 inhabitants				Currency	CU per 1 USD
Germany	419[4]	455	885	558	DM	1.3837
Hungary	202[5]	147	599	414	Ft	119.72
Mauritius	46	98	360	218	MR	17.352
Bahamas	279	303	542	225	B$	1.0038
Philippines	19[2]	14	129	45	P	26.113
New Zealand	449	457	931	443	NZ$	1.5391

Country	Cost-of-living index 1994	Budget surplus (+) or deficit (-)	Current account balance	Trade balance	Direct investment[3]
		1993			
	& change on previous year	% of GDP	Mio USD		
Fiji	1.5	- 3.4	- 13	- 231	- 23.1
Kiribati	2.9	- 9.7[7]	+ 9[5]	- 20.2[5]	.
Papua New Guinea	6.1	- 5.9	+ 546	+ 1 370	- 0.6
Solomon Islands	12.8	- 21.1	- 17	- 19	- 6.3
Western Samoa	18.4	.	- 39	- 81	-
Tonga	2.4	- 16.4	+ 4	- 38	- 0.3
Tuvalu	1.5	.	+ 1	- 6	.
Vanuatu	2.1	- 2.6	- 1	- 47	- 26.7
Germany	4.2[4,8]	- 2.7[8]	- 19 960	+ 44 540	+ 15 590
Hungary	22.5[4]	+ 0.8[7]	- 4 262	- 4 021	- 2 339
Mauritius	10.4[4]	+ 0.0	- 92	- 254	+ 19
Bahamas	2.7[4]	- 4.1	- 73	- 824	+ 24
Philippines	7.6[4]	- 1.5	- 3 289	- 6 222	- 763
New Zealand	1.3[4]	+ 0.1	- 932	- 1 714	-

1) 1988. 2) Including taxis. - 3) 1989. - 4) 1993. - 5) 1992. -
6) In contrast to the IMF publications on balance of payments statistics, a minus sign here signifies an increase in foreign direct investment and a plus sign denotes a decrease.
7) 1990. - 8) Former territory of the Federal Republic of Germany

SELECTED BASIC INDICATORS (continued)

Country	Official development assistance 1993 1) Total	Official development assistance 1993 1) per capita	Foreign debts 1993 1) Total	Foreign debts 1993 1) of which long-term	Foreign debts 1993 1) of which long-term	Debt servicing 1993
	Mio USD	USD	Mio USD	Mio USD	% of GDP	% of exports of goods and services
Fiji	61.7	81	324	245	14.5	5.5
Kiribati	16.0	213	16	15	.	.
Papua New Guinea	303.2	74	3 419	3 025	59.9	30.3
Solomon Islands	56.0	158	195	187	.	5.9
Western Samoa	52.8	334	186	133	.	10.7
Tonga	31.9	326	48	48	33.5	6.0
Tuvalu	4.2	323	.	.	.	.
Vanuatu	35.3	219	260	106	.	5.2
Hungary	192.6	19	24 728	23 543	61.8	40.8 2)
Mauritius	26.6	24	1 025	942	28.7	6.0 2)
Bahamas	0.6	2	1 737	1 315	42.9	.
Philippines	1 490.7	23	30 645	24 260	44.9	24.9 2)

1) OECD data. - 2) World Bank data.

USD - ECU EXCHANGE RATES*)

Year	1 ECU = ... USD	1 USD = ... ECU
1980	1.392330	0.718221
1981	1.116450	0.895696
1982	0.979715	1.020705
1983	0.890220	1.123318
1984	0.789034	1.267373
1985	0.763088	1.310465
1986	0.984167	1.016088
1987	1.154440	0.866221
1988	1.182480	0.845680
1989	1.101750	0.907647
1990	1.273430	0.785281
1991	1.239160	0.806998
1992	1.298100	0.770357
1993	1.171000	0.853971
1994	1.189520	0.840675
1995, 1. HY	1.302178	0.767944

*) Average daily rates.

1. HISTORICAL BACKGROUND AND FUTURE PROSPECTS

INTRODUCTION

From afar, the Pacific islands may seem like mere dots of land lost in the vastness of the ocean, but under the magnifying glass they emerge as a microcosm of the planet as a whole, a melting pot of influences from all four corners of the world. With the dawn of the Renaissance, European explorers embarked upon voyages of discovery which brought them to these islands, the only sections of the bridge linking Asia to America tall enough to pierce the waters of the Pacific. These early explorers were then followed in some islands by settlers from Africa, India and China. It was not until the second half of the 20th century that certain island states managed to cast off their colonial ties, but even in this era of national sovereignty certain geographical, economic and even political attachments still remain. In the northern hemisphere, while the nations and regions of the Caribbean still tend to look towards the United States and Latin America, they have nevertheless already achieved a certain level of regional cooperation. The eight South Pacific members of the Lomé ACP Agreement covered by this report - Fiji, Kiribati, Papua New Guinea, the Solomon Islands, Western Samoa, Tonga, Tuvalu and Vanuatu - are still extremely dependent on external influences and remain very much on the sidelines, in awe of their more-advanced regional neighbours, Australia and New Zealand. France's presence can still be felt in Vanuatu as well as in the neighbouring Overseas Territories of New Caledonia and French Polynesia, the United Kingdom rules over Nauru and exerts its influence over many other countries through the Commonwealth, and US law already applies in eastern (or American) Samoa. Traces of former German colonization can still be detected in Papua New Guinea, the Solomon Islands, Tonga and Western Samoa, while Japanese, South Korean and Taiwanese deep-sea fishing vessels have licences to trawl the coastal waters of the Pacific for tuna. Onshore, the main sources of income are sales of raw materials and semi-finished products from the mining, forestry and agricultural sectors, but the prices of these are fixed abroad. Meanwhile, the tourist industry, which markets the beautiful scenery and the charm of the Polynesians, is flourishing but at the expense of new laws which are often at odds with the region's cultural diversity.

DETERMINING FACTORS: THE PROBLEM OF GEOGRAPHICAL DISTANCE

There is no doubt that the Pacific countries have a very minor role to play in world affairs. Lying as they do on the world's outermost geographical and political fringes, they receive little attention, are insignificant in industrial terms and have hitherto added little more than a speck of colour to the kaleidoscope of world history. However, with a sea to land ratio thirteen times higher than that of the Caribbean, the area does have one major trump card which, in the long term, could procure for it a degree of international economic importance: almost one-third of the world's total fish stocks are to be found within its boundaries. It is also of some strategic military importance as a 'buffer zone' between Asia and America.

There is another basic problem posed by the scattered population of this patchwork of tiny islands set against its vast ocean backdrop: the seemingly insuperable barriers which have hitherto thwarted virtually every attempt to exert any effective form of political, social or economic control over its potential resources. 'Tyranny of distance' is the very fitting label the World Bank uses here to describe geographical distances which abide by their own set of rules. As an example of the difficulties involved in bringing this unique hotchpotch of peoples under the one roof, one could cite the tiny autonomous units or the arcane loyalties which have evolved between families, clans and different cultural and language groups and which sometimes, when least expected, can spill over into a bid for independence or a putsch, as when Bougainville sought to break away from Papua New Guinea in 1988 or the 1987 military coup in Fiji. Another of the region's peculiarities is the presence of an extremely wide range of churches and religious communities, and one of these groups, the Methodists in Fiji, has even formed its own influential political party. The fact that government expenditure in virtually all the Pacific islands is very high by international standards is indicative of the efforts being made to cast the administrative net as widely as possible. At the same time, however, with fish catches now being monitored by satellite, there is scope for future change and improvement in this, the age of telecommunications.

Given that these independent countries are so small, they need to forge alliances in order to at least make their voice heard at international level (see Table 1.1). The main fora for this are the South Pacific Commission (SPC), the South Pacific Forum (SPF) and their status as ACP (African, Caribbean, Pacific) member countries. However, as with their membership of other worldwide, regional or sectoral organizations (e.g. the UN, IMF, ADB or FFA), while they may have stepped up their integration into the world economy, they have yet to achieve effective cooperation and integration among themselves. Papua New Guinea, the largest of the eight nations, has already woven the closest international and regional ties, while tiny Tuvalu is the least integrated of them all. There are clear limits to their alliances with Australia and New Zealand, since these two regional giants tend to have reservations about bilateral economic agreements and prefer to expand cooperation through common organizations such as the SPC or the SPF. While these links need to be further intensified in the longer-term, there is no saying when this might happen.

1.1 MEMBERSHIP OF INTERNATIONAL ORGANIZATIONS

Organization	Fiji	Kiribati	Papua New Guinea	Solomon Islands	Western Somoa	Tonga	Tuvalu	Vanuatu
FAO	x		x	x	x	x		x
GATT (WTO)	x	x[1]	x[1]	x		x[1]	x[1]	
IBRD	x	x	x	x	x	x		x
ICAO	x	x	x	x		x		x
ICJ	x		x	x	x			x
IDA	x	x	x	x	x	x		x
IFC	x	x	x	x	x	x		x
ILO	x		x	x				
IMF	x	x	x	x	x	x		x
IMO	x		x	x				x
ITU	x	x	x	x	x	x		x
UN	x		x	x	x			x
UNCTAD	x	x	x	x	x	x		x
UNESCO	x	x	x		x	x	x	x
UNICEF	x	x	x	x	x	x	x	x
UNIDO	x		x			x		x
UPU	x	x	x	x	x	x	x	x
WHO	x	x	x	x	x	x		x
WIPO	x							
WMO	x		x	x				x
Commonwealth of Nations		x	x	x	x	x	x[2]	x
AKP	x	x	x	x	x	x	x	x
ADB	x	x	x	x	x	x	x	x
APEC			x					
SPC	x	x	x	x	x	x	x	x
ASEAN			x[3]					

1. Membership open.
2. Member with special status.
3 Observer.

The environment is playing an increasingly important role and there seems to be a developing awareness of environmental issues. One example of this is the fact that local authorities are already demanding that a considerable number of detailed conditions be met, not least by tourism-linked projects. A current indicator of the mood is the harsh reaction provoked by France's recent delaration that it was to resume underground testing of nuclear weapons in French Polynesia[1]. The United States has made repeated efforts to exploit the political weakness of the countries in its Pacific back yard to store its nuclear waste, and negotiations are currently being pursued with the Marshall Islands with precisely this aim in mind. As it is, radioactive contamination from earlier US nuclear explosions will linger in the Bikini Atoll for the next 10,000 years. Fiji has also protested about the transportation of radioactive materials from France to Japan through its waters.

There is also a danger of such special agreements undermining the common front against further environmental pollution of whatever type and thus increasing the risk for future generations. Even as things stand, there is an urgent need for radical measures, since erosion is already threatening the existence of many coral islands and the tendency for global warming to produce higher sea levels is also giving cause for concern.

The region is also no stranger to cyclones, earthquakes and volcanic eruptions and this awareness of the destructive forces of nature has, since time immemorial, been firmly rooted in the thoughts and actions of the whole populace. It is one of the distinguishing characteristics of economic activity in this part of the world that its inhabitants have been forced time and again within the space of just a few years to rebuild livelihoods destroyed by natural forces.

PAST AND PRESENT: SIMILARITIES AND DIFFERENCES BETWEEN THE EIGHT COUNTRIES

In terms of importance, the eight independent Pacific Islands can be broken down into the following groups: Papua New Guinea, which is the dominant nation in terms of both surface area and population; a much smaller group in terms of land area made up of Fiji, the Solomon Islands and Vanuatu; a further group composed of Kiribati, Tonga and Western Samoa; and finally, the tiny nation of Tuvalu with a population of around 13,000.

Fiji

Fiji stands out from the rest of the Pacific Islands in many different ways. As well as possessing various mineral resources, natural attractions and abundant fish stocks, it also has a fairly wide-ranging agricultural sector, an emerging industrial sector and a well-established tourist trade. It is one of the few developing countries to boast a positive balance of payments.

The whole Fijian archipelago consists of 332 islands, only 110 of which are inhabited. The islands are of mainly volcanic origin and cover a total land area of around 18 274 km^2, almost

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[1] In all, 130 small-scale nuclear devices have already been detonated on Mururoa Atoll since the start of the test programme in 1974 (Süddeutsche Zeitung, 13 July 1995).

the size of Slovenia. The fact that these islands are spread out over such a wide area means that Fiji's exclusive economic zone (EEZ) covers over 1.37 million km² of ocean. The three main islands of Viti Levu, Vanua Levu and Taveuni make up 90% of the total land area. The main island of Viti Levu (10,390 km²) has the country's four largest towns (including the capital Suva), both its international airports and two of its three main seaports.

The 784,000 inhabitants (in mid-1995) are split almost 50:50 between ethnic Fijians and the descendants of Indian contract workers brought in by the British at the time of the Raj. This ethnic mix, which is also reflected in their religious affiliations, is a source of potential conflict, and it eventually led to two military coups in 1987 which resulted in many Indians, particularly those in the higher echelons of society, leaving the country. With an average life expectancy of 71 years, an infant mortality rate of 23 per 1,000 live births and a literacy rate of over 80%, Fiji's living standard is judged to be that of a lower-middle income developing country.

This former British colony gained independence on 10 October 1970 but remained in the Commonwealth until the second military coup of September 1987. The military government declared Fiji to be a republic and governed without any democratic legitimacy or parliamentary control until April 1992. It was the guiding hand behind the constitution drawn up for the present 'Sovereign Democratic Republic of Fiji'.

Kiribati

The Republic of Kiribati is composed of three island groups stretching across the Pacific Ocean for almost 4,000 km from east to west and over 2,000 km from north to south. These are the Gilbert Islands in the west, the Phoenix Islands in the middle and the Line Islands in the east. Banaba, which lies to the west of the Gilbert Islands, is also part of Kiribati. In view of the enormous distances which separate the different islands, some of which lie thousands of kilometres away from the capital, Kiribati's exclusive economic zone extends over some 5 million km². In stark contrast to this, its land area of just 811 km² is minute, not even the size of Hamburg, and dispersed over a large number of islands. Kiritimati (one of the Line Islands) accounts for over half the total land area and, with a circumference of 160 km, it is the world's largest atoll.

The population numbers around 79,000, over 90% of whom live on the Gilbert Islands. Most of these are concentrated on South Tarawa Atoll which, despite its mere 2% share of the total land area, is home to the capital, Bairiki, and some 35% of the total population.

The Europeans started to explore and economically exploit the islands of present-day Kiribati at the end of the 18th century. The process of colonization began when these territories were used as relay stations for international cable links and for stockpiling coal for steamships. In 1888/89, the British and Americans laid claim to the Phoenix and Line Islands and in 1892 the Gilbert Islands were declared a British protectorate. Four years later, the British joined the Gilbert Islands to their southern neighbours the Ellice Islands (present-day Tuvalu) to create the Gilbert and Ellice Islands Protectorate. Banaba (formerly Ocean Island) was then annexed to this colony some time later. In 1916, the Protectorate's status was changed to that of the Gilbert and Ellice Islands Colony, which was gradually enlarged to encompass islands from the Phoenix and Line Groups. In 1975, the Ellice Islands voted by referendum to break away, and four years later the independent nation of Kiribati was formed from the former Gilbert Islands Colony. In 1994, the island nation's Parliament was made up of around 40 elected members, but the party structures and post-election majority groupings are still in a state of flux, which makes it difficult to reach a quorum.

Given that Kiribati is made up entirely of coral islands, there are distinct limits to its natural resources. Phosphate mining on Banaba came to end in 1979 when the deposits ran out. The coralline soils offer very limited opportunities for growing industrial crops and the islands lack fresh water. The urban population is very dependent upon imports of foodstuffs, there is little industry and the tourist sector is underdeveloped. As a result, the situation regarding job opportunities is constantly deteriorating. Thanks, however, to the interest received from the phosphate fund set up by the British Government, government transfers and income from fishing licences, Kiribati still consistently records a balance of payments surplus despite its substantial balance of trade deficits.

Papua New Guinea

Papua New Guinea is the dominant Pacific ACP country in terms of land area, population and natural resources. With a total area of 462,840 km^2, this ACP country is larger than Germany and Austria together. The eastern half of the island of New Guinea makes up 85% of the total area, the rest of the territory being spread across more than 600 islands. The landscape is characterized by a high mountainous area in the north and east and lowlands with extensive alluvial plains in the south and west. The poor infrastructure resulting from the rugged terrain has a restrictive effect on economic development, and the capital, Port Moresby, for example has no road links with the rest of the country. Most transport activities are carried out by sea and air.

Around four-fifths of the 4.3 million inhabitants (roughly as many as Norway) live in the countryside. The poor medical and educational facilities available to the rural population are reflected in the country's social indicators: infant mortality stands at 68 per 1,000 live births, the average life expectancy is 56 years and only around two-thirds of the population aged over 15 can read and write. The fact that the country is still shaken from time to time by bloody clashes and tribal feuds can be attributed in part to the widening regional and income-related disparities allied with the very uneven pace of cultural development.

The colonization of the country in 1884 for mainly strategic reasons by Germany and Great Britain had little economic impact. In 1906, Australia took over the colony of Papua and in 1921 the League of Nations gave it the mandate to govern New Guinea. Australian colonial policy also, however, failed to accelerate economic development until the 1960s, although from then until independence in 1975 a disproportionately high volume of Australian transfers flowed into the colony. While these funds to boost the economy and the investments made by Australian enterprises did generate considerable growth, only a very small proportion of the population derived any benefit from it. Since independence, Papua New Guinea has been part of the Commonwealth. Officially, the country is a constitutional democracy, but in reality many essentially democratic and institutional structural characteristics are still lacking.

Papua New Guinea has a wealth of natural resources. It is, furthermore, fairly unique in that its climate and soil conditions are also conducive to growing large quantities of non-tropical agricultural products, which helps to expand the range of products on offer. The most important of these are coffee, cocoa, coconuts, palm oil, tea, fruits and vegetables. Its other main assets are abundant deposits of gold, copper ore, silver, natural gas and petroleum, as well as its extensive forests. Industrialization has concentrated mainly on the agricultural sector, particularly the processing of copra, palm oil and timber. The mining sector is now the country's main source of foreign exchange and Papua New Guinea is one of the world's largest producers of gold and copper. The second-largest export sector is agriculture and forestry. However, despite this wealth of mineral resources and substantial development assistance transfers from Australia, Papua New Guinea is still in the throes of economic crisis.

Solomon Islands

At 28,370 km² the Solomon Islands is slightly larger than Sicily and, in contrast to many other Pacific Islands, six relatively large islands make up 88% of the land area. The favourable climate and fertile soil conditions on these islands are conducive to agricultural production.

At +3.4% per year (1990/95 av), the Solomon Islands has the highest population growth rate of all the Pacific ACP countries. In 1995, the total population was estimated at around 378,000, which is roughly the same as Luxembourg. Average life expectancy has risen dramatically over the last 25 years from 40 to 70 years.

The German-British South Sea Agreement of 1886 concluded between these two colonial powers led to the division of the Solomon Islands group. Thirteen years later following the Samoa Conference in Berlin, the Germans handed over some of their islands to the British Solomon Islands Protectorate. This arbitrary division meant that islands which were closely interwoven culturally found themselves separated from each other, and as a result Buka and Bougainville now belong to Papua New Guinea while the other islands make up the independent nation of the Solomon Islands, which achieved independence in 1978. The after-effects of this division are still being felt now and have come to a head in the sometimes bloody separatist disputes in Bougainville and the political controversies opposing Papua New Guinea and the Solomon Islands.

From 1985 to 1994, economic development in the Solomon Islands was above average for the Pacific countries, mainly due to healthy growth in the timber-felling, fishing and palm oil sectors. It is, however, clear that only a fraction of the population has been able to benefit directly from this value-added. Over 80% of the populace still live almost entirely off the informal sector and the subsistence economy, and only around 10% reside in the capital, Honiara. Mineral resources such as lead, zinc, gold and silver have been discovered but have yet to be exploited.

Western Samoa

Western Samoa has a land area of 2,831 km^2, making it roughly the size of Luxembourg. It is divided into the two main islands of Upolu (with the capital Apia) and Savai'i, and seven very small islands. Its exclusive economic zone covers 120,000 km^2 of ocean. The 159,000 inhabitants are concentrated on the island of Upolu, where the capital acts as a particularly strong magnet. Most of the population live off the subsistence economy and the informal sector, and one-third of all the jobs are in the State sector.

The country has been independent since 1962 and its current borders stem from the political division of the Samoan island group back in 1900. While the western islands were administered first as a German and then as a New Zealand colony, the eastern islands - American Samoa - have thus far had the status of a United States unincorporated territory.

The mainstay of the economy is the agricultural sector, although recent years have seen the development of a small industrial sector engaged mainly in the processing of agricultural products. While the agricultural sector was badly damaged by the cyclones of 1990 and 1991 and then suffered further heavy losses from plant disease in 1993, tourism has emerged as the fastest-growing sector of the economy. Despite this, Western Samoa is still very much dependent on remittances by emigrants and development assistance transfers.

Tonga

With a surface area of almost 780 km^2 - about twice the size of Malta - the Kingdom of Tonga is made up of 170 islands, only 36 of which are inhabited. Over two-thirds of the approximately 99,000 inhabitants are concentrated on the main island of Tongatapu, which makes up 34% of the total land area and is the site of the capital, Nuku'alofa. Its annual population growth rate of +0.6% (1990/95 av) is the second-lowest of all the Pacific ACP countries after Western Samoa and is the result of large-scale emigration to New Zealand, Australia and the United States. This exodus has been particularly marked since the end of the 1970s and is a reaction to the shortage of land and employment opportunities. By 1990, it was estimated that 30-40,000 Tongans were living abroad. The capital transfers made by these emigrants is an important source of foreign exchange for the country, accounting for around 20% of nominal GDP.

HISTORICAL SUMMARY OF THE PACIFIC ACP COUNTRIES

1567	The Spaniard Álvaro de Mendaña is the first European to land on the Solomons;
1643	Abel Tasman is the first European to discover the Fiji islands group;
1777	James Cook lands on Kiribati;
1845	Siaosi (George) Tupou I becomes the first King of Tonga;
1874	Fiji becomes a British colony;
1884	Papua New Guinea is colonised by Germany and Great Britain;
1886-98	Germany and Britain divide up the Solomon Islands under the German-British South Sea Agreement
1892	The Gilbert Islands (part of the present-day Kiribati) are declared a British Protectorate;
1896	Britain merges the Gilbert Islands with the Ellice Islands (present-day Tuvalu) to form the Gilbert and Ellice Islands Protectorate;
1899	Following the Samoa Conference in Berlin, Germany hands over some of the present-day Solomon Islands to the British Solomon Islands Protectorate;
1900	The Samoan island group is divided up: the western part (Western Samoa) is placed under German administration and the eastern islands (American Samoa) fall to the United States;
1900-70	Tonga is administered as a British Protectorate;
1906	Papua becomes an Australian colony; Vanuatu becomes a jointly administered Anglo-French condominium;
1914	Western Samoa is placed under a New Zealand military administration;
1916	The Gilbert and Ellice Islands Colony is formed;
1916-79	The Phoenix and Line Islands are gradually incorporated into the Gilbert and Ellice Islands Colony;
1920	The League of Nations mandated territory of Western Samoa becomes a colony of New Zealand;

HISTORICAL SUMMARY OF THE PACIFIC ACP COUNTRIES (continued)

1921	The League of Nations mandated territory of New Guinea becomes an Australian colony;
1947	Western Samoa is given the status of a United Nations trust territory administered by New Zealand;
	Foundation of the South Pacific Commission (headquarters: Nouméa, New Caledonia)
1962	Western Samoa is the first South Pacific country to be granted independence:
1970	Fiji becomes independent but remains within the Commonwealth;
	Foundation of the Pacific Island Producers Secretariat (Suva);
1971	Foundation of the South Pacific Forum;
1975	The Ellice Islands break away from the Gilbert and Ellice Islands Colony to form the separate colony of Tuvalu;
	Papua New Guinea becomes independent and joins the Commonwealth;
1978	The Solomon Islands becomes independent and join the Commonwealth;
	Tuvalu becomes an independent state within the Commonwealth;
	Foundation of the Pacific Forum Shipping Lines;
1979	The independent state of Kiribati is formed from the former Gilbert Islands Colony;
	Foundation of the Forum Fisheries Agency (headquarters: Honiara, Solomon Islands);
1980	Vanuatu becomes an independent sovereign republic;
	The South Pacific Regional Trade and Economic Cooperation Agreement enters into force;
1983	The South Pacific Regional Environmental Programme (headquarters: Apia, Western Samoa) comes into being;
1987	Two military coups on Fiji; Fiji becomes a republic and leaves the Commonwealth;
1988	The Bougainville Revolutionary Army is formed on the island of Bougainville, part of Papua New Guinea;
1994	The Tongan Democratic Party is the first political party to be formed in Tonga.

Under the influence of European colonial rule and native traditions, Siaosi (George) Tupou I became the first King of Tonga in 1845. The constitution of 1875, which has survived largely intact to the present day, introduced a British-style constitutional monarchy and gave the country a certain degree of independence from its colonial masters. Despite this, Tonga was still a British protectorate from 1900 until 1970 and thus subject to quasi-colonial influence. In 1994, after 150 years of monarchy, Tonga's first political party - the Tongan Democratic Party - was formed with the aim of giving the people more say in the decision-making process.

Agriculture and fisheries still form the mainstays of the country's economy, and the fertility of the volcanic soils is a considerable natural asset. A wide range of agricultural products is grown, including vanilla, coconuts, gourds, kava, bananas and various tropical root crops. While the manufacturing industry plays only a very minor role, tourism has already developed into an important foreign-currency earner. Nevertheless, despite an increase in export earnings, income from tourism and remittances by emigrants, Tonga still relies heavily upon payments of development aid in order to offset its chronic balance of payments deficit.

Tuvalu

With a land area of 24 km^2 - four times the size of Gibraltar - and a population of around 13,000, Tuvalu is the dwarf of the Pacific ACP countries. The land area is spread over nine widely-scattered coral atolls which are themselves very splintered. Approximately one-third of the inhabitants live on the main island of Funafuti, which is home to the capital Fongafale. Since the infertile coralline soils also have a very poor water-storage capacity, these small, flat islands are of limited use for settlement or agriculture. No mineral resources have been discovered and there is scant potential for developing a tourist industry.

It was only under British colonial rule that the islands of present-day Tuvalu were merged into one administrative and political unit. The British took possession of the territory known then as the Ellice Islands in 1896 and joined them with the Gilbert Islands (part of present-day Kiribati) in 1916 to form the Gilbert and Ellice Islands Colony. Following a referendum in which the population of the Ellice Islands voted to secede, the separate colony of Tuvalu was formed in 1975. Three years later it became an independent member state of the Commonwealth.

Classified as a less developed country (LDC), Tuvalu is economically dependent upon external financial assistance. Its sole natural resource lies in its 900,000 km^2 of exclusive economic area in the Pacific Ocean but, due to a lack of infrastructural facilities, deep-sea fishing has hitherto been carried out mainly through licensing agreements with other countries. The population lives primarily from the subsistence economy (coconuts and fish). Copra is the only marketable agricultural product. Given the lack of an export basis, the meagre export earnings offset only a small part of the rising expenditure on imports.

Government revenue comes mainly from payments of development aid, the sale of postage stamps, receipts from emigrants working abroad and income from fishing licences. One significant source of income takes the form of annual transfers from the Tuvalu Trust Fund which was set up in 1987 by Australia, New Zealand and the United Kingdom and also receives support from Japan and South Korea.

Vanuatu

With a land area of 12,190 km^2 (almost twice the size of the Canary Islands) and almost 170,000 inhabitants (1995), Vanuatu is down in the bottom half of the league table of Pacific ACP countries in terms of surface area and population. The land area is spread over 16 large and 66 small islands. The main islands of Espiritu Santo and Efate, the site of the capital Port Vila, account for 40% of both the land area and the population.

In 1906, Vanuatu became a condominium administered jointly by France and Britain. This dual colonial administration with two legal systems, currencies and languages and three Courts of Justice was a hindrance to the development of Vanuatu and fostered separatist tendencies. It was only with independence in 1980 and UN membership one year later that the separatist demands of the French-speaking islands died down. The fact that English and French are still official languages is a throwback to these times. During the uninterrupted term of office of Prime Minister Walter Hadye Lini from 1980 until mid-1991, the country juggled allegiances between the western industrialized nations and the Communist states. Since 1992, relations with the EU have improved again under the new coalition government led by the Union of Moderate Parties (UMP), which receives most of its support from the French-speaking population.

Vanuatu's economic potential lies in agriculture and forestry, fisheries and tourism. Mineral resources are virtually non-existent. The economy is marked by a very clear dual structure. On the one hand, 80% of the population carry out subsistence farming on small holdings which mainly produce copra, cocoa and beef. Fishing remains underdeveloped and is conducted for the most part on a subsistence basis. On the other hand, the services sector - State sector, tourism and offshore financial services-produces two-thirds of GDP. As a result of economic activity being concentrated in urban areas - particularly the capital - there is a widening gulf in regional incomes, and the process of urbanization is accelerating. Despite the relatively good allocation of resources and by international standards extensive development funds, economic growth remains persistently low.

FUTURE PROSPECTS

All in all, these eight countries of the South Pacific are experiencing a period of radical transition. The predominant structures of the subsistence economy and informal sector are beginning to crumble away and the traditional forms of village-level cooperation, collective support and common responsibility are evaporating. A number of studies have touted privatization as the panacea to cure the crippling burden of administration and breathe life into the essential process of economic diversification, but there are dangers involved in being over-hasty in sacrificing this Polynesian-Melanesian economy, which has taken centuries to develop, in favour of imported growth models, which in the medium and longer-terms might turn out to be inappropriate. Indeed, examples such as that of the fisheries sector, where it has been possible to successfully ally the 'taboo' mentality characteristic of local community solidarity with the objectives of preserving fish stocks and fishermen's livelihoods have shown that slower but surer progress can be made using such methods (see Chapter 16).

At the same time, there are certain actions which seem unavoidable: the private and cooperative sector must be given a greater role; an appropriate framework needs to be set up for foreign investment; a selective, intra-regional approach should be adopted towards developing the infrastructure; and the manufacturing industry and the services sector need to be allied much more closely with the sometimes considerable resources offered by the primary sector.

The Pacific Islands cannot do all of this on their own. They will still need to rely on foreign aid for some time to come, and advice and technical support will often be more important than the provision of capital on favourable terms. Of the eight countries in question, Fiji is the pioneer in this respect and can even serve as a model in some instances. The South Pacific Applied Geoscience Commission (SOPAC) has been set up as a forum for coordinating onshore and offshore mining (including manganese), and the Pacific Forum Energy Agency (PFEA), which also has its headquarters in Fiji, is adopting a similar approach in the field of energy. Vanuatu is carving out a fairly successful niche for itself in the field of offshore banking, and Papau New Guinea is at least beginning to develop an awareness of its responsibilities as the largest and most important country in this future community. In Western Samoa, there are a number of initiatives sprouting up which should put the region's creative force to the test.

There is no doubt that Australia and New Zealand are being called upon to act as the driving forces behind this process and to assume some responsibility in representing the interests of the region. The policies implemented by Australia and New Zealand and their economic successes or failures are likely to have even more important repercussions for the countries of the South Pacific than they do at present, and the fate of the latter will depend to a great extent on the flexibility of Australia and New Zealand's diplomatic efforts to sufficiently promote individual initiatives by the eight countries and coordinate these within a wider forum. The same is true, but in a slightly different sense, for Indonesia which shares a border with Papua New Guinea, for more distant Asian neighbours such as Japan, Taiwan, China and Korea and, to a certain extent, for the United States on the other side of the Pacific Ocean, as - with the advent of the global economy - its sphere of influence is also expanding within the APEC region.

Taiwan, for example, is systematically seeking to extend its influence over these countries, increase the number of fishing licences it holds and secure long-term raw material resources in this region. Papua New Guinea has joined Australia and New Zealand in establishing closer links with the burgeoning economies of the ASEAN group - efforts which could also bear fruit in the future for the other South Pacific islands.

The eight South Pacific countries all participate in the following:

FFA	Forum Fisheries Agency
MSG	Melanesian Spearhead Group[1)]
PFEA	Pacific Forum Energy Agency
PIACC	Pacific Island Association of Chambers of Commerce
SOPAC	South Pacific Applied Geoscience Commission
SPEC	South Pacific Bureau for Economic Cooperation
SPC	South Pacific Commission
SPF	South Pacific Forum
SPFS	South Pacific Forum Secretariat
Sparteca	South Pacific Regional Trade and Economic Cooperation Agreement
SPREP	South Pacific Regional Environmental Programme
USP	University of the South Pacific

1) Papua New Guinea, Solomon Islands and Vanuatu only

It is also, however, in the interests of the European Union to involve itself in shaping the destiny of these Pacific ACP countries, since its far-from-stable economy cannot afford to let even the smallest of markets slip out of reach and it cannot, in the longer-term, remain indifferent to decisions taken regarding over one-third of the world's total fish stocks. Its very role as an outsider with intricate historical links could work in its favour in establishing footholds - perhaps through trilateral cooperation or trilateral joint ventures - which could be of mutual benefit in the fields of fisheries, tourism, telecommunications and environmental protection.

These positive stimuli do, nevertheless, still have to contend with a host of internal and external obstacles. The excessive demands placed on the administrative sector, increasing corruption, inadequate training and the loss of young and dynamic people who seek their fortunes abroad are just some of the key problems in this respect. While the desire to create a separate national profile is quite understandable, it can often be counterproductive in that it eats away at already-scant financial resources and can hamper efforts to surrender certain sovereign rights in order to create a more trenchant community. There is a risk that the rich and colourful Polynesian and Melanesian culture might be seriously damaged by the growing influence of tourism, the mass media and external guiding principles which often take little notice of 'home-grown' traditions, and could ultimately degenerate into some form of folklore cliché. On top of all this, frequent natural disasters pose a constant threat to any physical progress made.

On a more positive note, as the dawn of the 21st century approaches, these island states do also have the chance to grasp unique opportunities in the fields of technology, communications and trade, and a certain degree of optimism about their future prospects would, therefore, be far from misplaced.

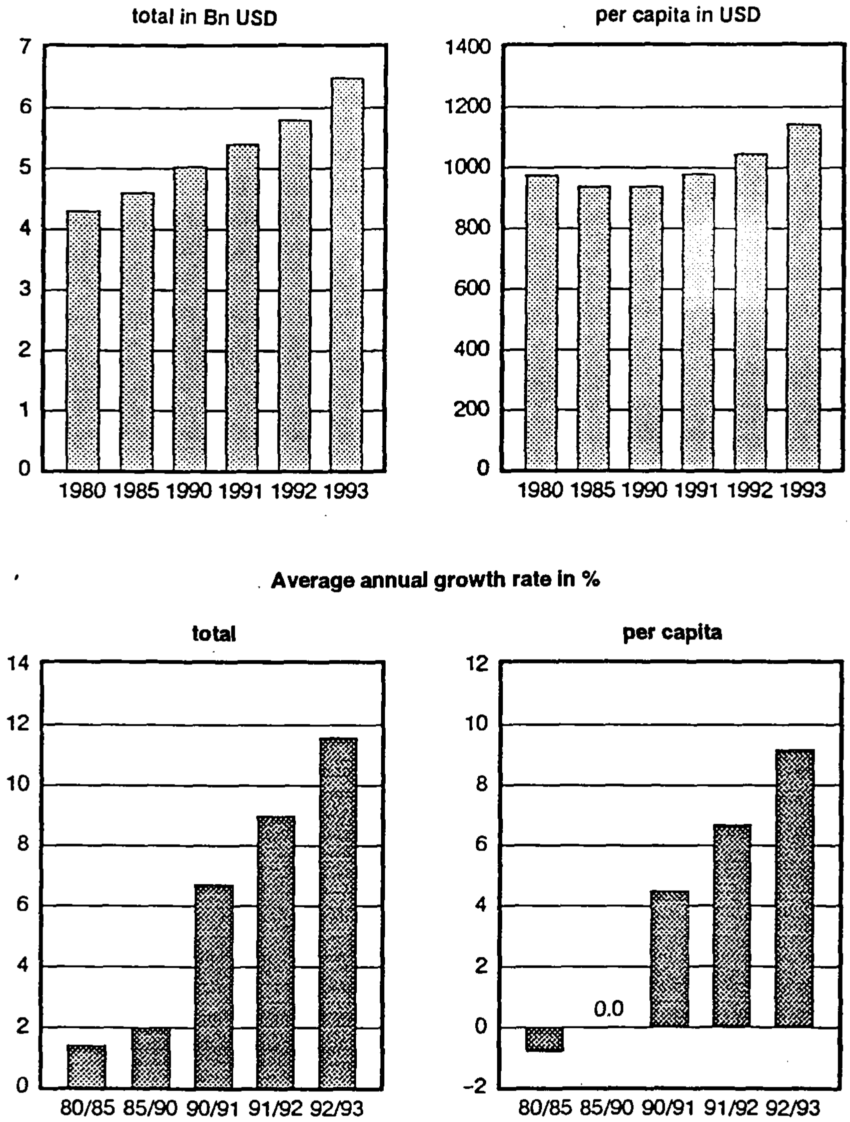
2. ECONOMIC STRUCTURE AND DEVELOPMENT OF THE PACIFIC ACP COUNTRIES

Before embarking upon an analysis of the economic structure and development of the eight Pacific ACP countries, some methodological explanations need to be given. The data used in this chapter for the national accounts of the Pacific countries are based almost exclusively on World Bank data for 1980-93. This recourse to the World Bank's databases made sense in that they use the same methodological basis and therefore lend themselves to country-by-country comparisons and the compilation of aggregated gross domestic product for the whole of the Pacific region. Wherever plausible initial results or GDP growth estimates for 1994 and 1995 were available, the corresponding figures were incorporated into the textual analysis. In addition to information from the World Bank, the main data included in this section are the latest GDP estimates by the Asian Development Bank (ADB), the International Monetary Fund (IMF) and the Economist Intelligence Unit (EIU). Since neither the aforementioned international organizations nor the national authorities publish comprehensive and up-to-date national accounts statistics for Tuvalu, it was not generally possible to include data on this country in the tables.

Comparing the economic structure of the different Pacific island states and their economic development since the beginning of the 1980s not only reveals certain similarities but also throws up some striking differences. The focus of this chapter will be to highlight common economic structures and developments and illustrate the main economic differences between the Pacific countries. It opens with a quick look at the overall economic development of this island region.

The 1980s was a period of comparatively moderate growth in total GDP for the Pacific ACP countries (excluding Tuvalu). Between 1980 and 1990, regional value-added (in 1987 prices) rose from USD 4 256 million to USD 5 029 million, i.e. at an average rate of only 1.7% per annum (see Figure 2.1 and Table 2.1). While growth in GDP did accelerate from 1.4% per annum from 1980-85 to 2.0% p.a. in the second half of the decade, it could still not keep pace with population growth, with the result that average per capita GDP (in 1987 prices) dropped from USD 974 in 1980 to USD 938 in 1990. Fluctuations in world market prices for agricultural exports by the Pacific countries, the devastation wrought upon agricultural production and downstream processing industries by successive hurricanes, ponderous progress in attempts to diversify the production basis, and a tourist industry which has been slow to capitalize upon the scenic charms of the region were the main reasons for the weak economic growth which characterized the 1980s.

2.1 PACIFIC ACP COUNTRIES: DEVELOPMENT OF REGIONAL GROSS DOMESTIC PRODUCT AT MARKET PRICES (IN 1987 PRICES)*)



*) Excl. Tuvalu.

Statistisches Bundesamt 95 0222 B

2.1 REGIONAL GROSS DOMESTIC PRODUCT OF THE PACIFIC ACP COUNTRIES AT MARKET PRICES IN 1987 PRICES*)

Year	Total	Per capita
	Mio USD	USD
1980	4 256.2	974
1985	4 552.3	937
1990	5 029.2	938
1991	5 365.9	980
1992	5 848.3	1 045
1993	6 525.7	1 142
Average annual growth rate in %		
1980/85	+ 1.4	- 0.8
1985/90	+ 2.0	+ 0.0
1990/91	+ 6.7	+ 4.5
1991/92	+ 9.0	+ 6.7
1992/93	+ 11.6	+ 9.2
1980/93	+ 3.3	+ 1.2
1990/93	+ 9.1	+ 6.8

*) Excluding Tuvalu.

Since the beginning of the 1990s, the Pacific region has experienced a clear growth surge, with economic output rising by 29.8% from USD 5,029 million in 1990 to USD 6,526 million in 1993. This corresponds to an impressive 9.1% average annual growth rate. As a result of this extremely dynamic upward trend, per capita GDP (in 1987 prices) also soared over this period from USD 938 in 1990 to USD 1,142 in 1993 (+6.8% per year). This development is primarily due to the strenuous efforts made since the end of the 1980s to open up and exploit the available natural resources, which in turn marked the start of diversification in the island economies. One of the main motors behind this upsurge in GDP over the past few years has been the intensive development of mining activity in Papua New Guinea, which has by far the strongest economy of all the Pacific islands. Other growth factors were the development of agricultural exports, the first signs of export-oriented industrial production in certain countries (Fiji, Western Samoa) and the expansion of forestry activities, although in some countries exploitation has since gone beyond what is ecologically tolerable. Another important element has been the revival in tourism since 1992. This is linked to the upturn in the economies of Australia and New Zealand which, alongside the United States, provide the bulk of tourists to the Pacific islands, and to a considerable increase in the number of visitors from Europe and Japan.

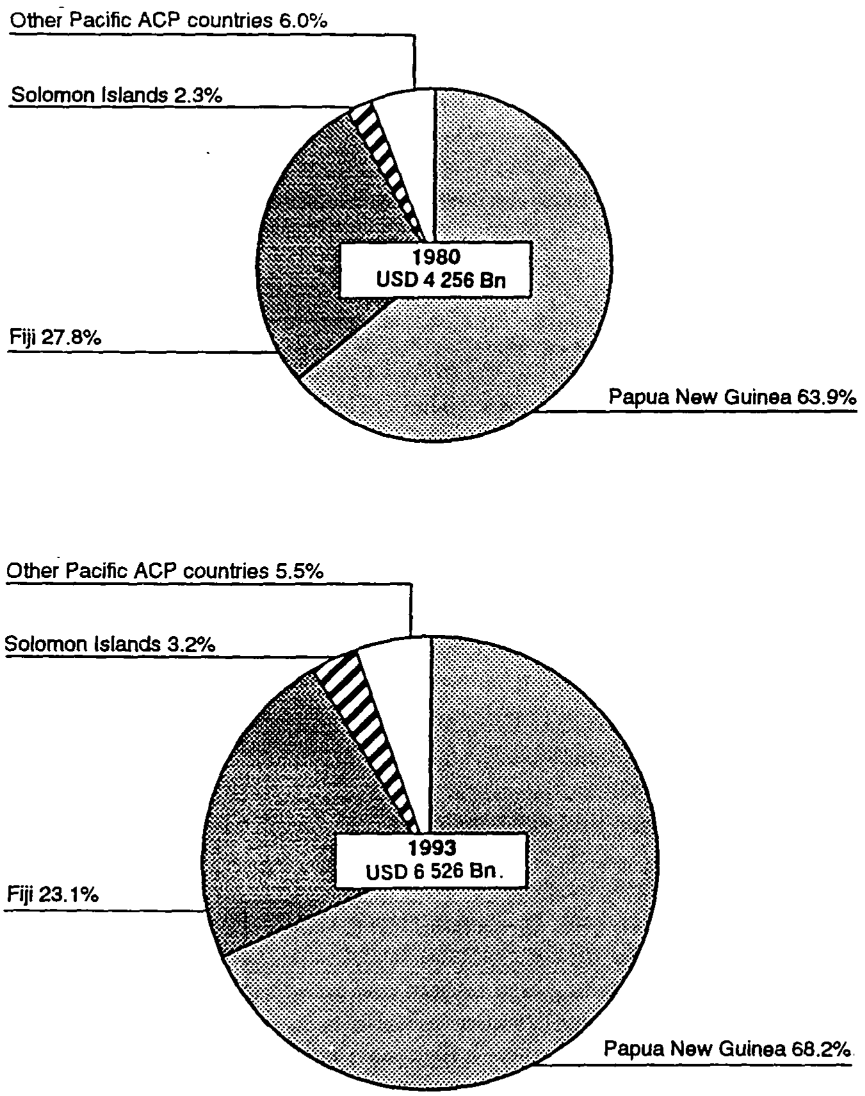
Economic growth in 1994 looks to be well down on the previous years, and the first estimates available suggest that in all probability regional value-added rose by less than 2% in real terms. This was primarily due to the sharp downturn in the economy of Papua New Guinea where, for the time being, the mining boom has come to a sudden end.

Figure 2.2 illustrates the economic weight of Papua New Guinea, which produced over two-thirds (68.2%) of the total value-added of the Pacific ACP countries in 1993. It has even managed to extend the gap in its leading position since 1980 (63.9%) thanks to its above-average GDP growth rate. Fiji's share of value-added, on the other hand, shrank during the reference period from 27.8 to 23.1% due to the much weaker state of its economy. The other five Pacific countries combined (leaving aside Tuvalu) contributed less than 10% of the area's total GDP in 1993, the Solomon Islands having the largest individual share at 3.2%. It seems most unlikely that there will be any significant changes in the foreseeable future in the relative performances by these Pacific economies.

There are major differences not just in the overall economic performance of the individual countries but also with regard to per capita output. The only country where per capita GDP (in 1987 constant prices) lay above the Pacific average of USD 1,142 in 1993 was Fiji at USD 1,984 (see Table 2.3). In Papua New Guinea, per capita income was still comparatively high at USD 1,083, but the average value-added for all the other island economies lay well under USD 1,000 per capita in 1993, with the Solomon Islands (USD 596) and Kiribati (USD 382) bringing up the rear. It should be pointed out here that per capita GDP only tells part of the story, since it only gives an average value which does not reflect the real situation as regards income disparities and ignores differences in the standard of living of the various islanders. Given that most of the countries have a dual economic structure, characterized by a small and efficient formal production sector guaranteeing employment and high earnings for only a small fraction of the population, and a dominant subsistence or informal sector where the vast majority of the islanders earn their living for very little financial reward, there are quite substantial income disparities in practically all the Pacific countries (see below).

An individual look at each of the Pacific countries reveals clear differences in their recent patterns of economic development, as a quick glance at GDP growth since the early 1980s will confirm. The economies of the Solomon Islands and Tonga have been on a steady upward curve since 1980, recording high rates of real growth in value-added. The economic climate in Papua New Guinea and Vanuatu has also been generally positive, although the total growth in GDP for these two countries between 1980 and 1993 was significantly lower. Fiji experienced relatively weak growth of less than 2% per annum, while the economies of Kiribati and Western Samoa have been stagnant since the beginning of the 1980s. The next section of this chapter provides a more in-depth analysis of the principal characteristics and economic trends in the individual Pacific states.

2.2 PACIFIC ACP COUNTRIES AND THEIR SHARE OF REGIONAL GDP*)



*) Excl. Tuvalu.

Statistisches Bundesamt 95 0223 B

2.2 ANNUAL AVERAGE GROWTH IN GROSS DOMESTIC PRODUCT OF THE PACIFIC ACP COUNTRIES AT MARKET PRICES IN 1987 PRICES (%)

	Fiji	Kiribati	Papua New Guinea	Solomon Islands	Western Samoa	Tonga	Vanuatu
			Total GDP				
1980/85	- 0.1	+ 0.1	+ 1.4	+ 6.3	- 1.0	+ 16.1	+ 6.5
1985/90	+ 3.9	+ 0.5	+ 1.1	+ 6.9	+ 0.7	+ 0.3	+ 1.6
1990/91	+ 0.7	+ 2.4	+ 10.2	+ 3.2	- 0.4	+ 6.3	+ 2.0
1991/92	+ 3.1	+ 1.5	+ 12.5	+ 8.2	- 3.3	+ 1.0	+ 1.0
1992/93	+ 1.9	+ 3.0	+ 16.6	+ 0.9	+ 5.3	+ 6.9	+ 1.7
1980/93	+ 1.9	+ 0.8	+ 3.9	+ 6.0	+ 0.0	+ 7.2	+ 3.1
1990/93	+ 1.9	+ 2.3	+ 13.0	+ 4.1	+ 0.5	+ 4.7	+ 1.6
			Per capita GDP				
1980/85	- 2.0	- 1.9	- 0.7	+ 2.7	- 1.2	+ 15.6	+ 2.8
1985/90	+ 3.1	- 1.6	- 1.1	+ 3.4	+ 0.6	- 0.1	- 0.8
1990/91	- 0.8	+ 1.0	+ 7.7	- 0.2	- 0.4	+ 5.2	+ 0.0
1991/92	+ 1.4	- 1.2	+ 9.9	+ 4.7	- 3.3	+ 1.0	- 1.6
1992/93	+ 0.4	+ 1.7	+ 14.0	- 2.5	+ 5.3	+ 5.8	- 0.8
1980/93	+ 0.5	- 1.2	+ 1.6	+ 2.5	- 0.1	+ 6.7	+ 0.6
1990/93	+ 0.3	+ 0.5	+ 10.5	+ 0.6	+ 0.5	+ 4.0	- 0.8

Fiji has one of the region's most highly-developed and productive island economies. The country has a wide range of natural resources such as extensive forests, abundant fish stocks and mineral deposits. While certain obstacles to economic development do exist in the form of its geographical isolation, vulnerability to natural disasters (hurricanes) and limited internal market, it does dispose of a fairly well-qualified pool of human resources and a relatively well developed infrastructure. The mainstays of the Fijian economy are the cultivation of sugar cane and tourism, which are the two main foreign currency earners. Since the end of the 1980s, the textile industry has come to the fore as a new and ever more important element of the economy.

Despite comparatively favourable basic conditions, Fiji's economy has only registered moderate growth since 1980, with an average growth rate in GDP of 1.9% p.a. between 1980 and 1993. As a result of this restrained development, per capita GDP only went up by 0.5% per year. The pattern of economic development was very irregular throughout this period: during the first half of the 1980s there was actually a slight drop in real GDP (1980/85 av: -

0.1% p.a.), whereas there was an upsurge in value-added in the second half of the decade (3.9% p.a.), despite the temporary but serious disruption in economic activity caused by the two coups of 1987. Good sugar harvests in 1989 and 1990, a sharp increase in the number of tourists and the booming textile industry were the main elements responsible for turning round the dramatic collapse of 1987 and lifting GDP well above its mid-1980s level. At the beginning of the 1990s, the growth in production cooled off as investment activity slumped (see Table 2.5), and average growth in GDP for 1990/93 fell back to just +1.9% per annum. In 1991, the Fijian economy was in a state of virtual stagnation (+0.7%) caused by low sugar prices leading to a downturn in sugar production and declining numbers of holidaymakers from Australia and New Zealand as the recession in these countries made itself felt. The was a brief return to stronger economic output in 1992 (3.1%) as sugar production increased and tourist numbers rose again, but by 1993 the GDP growth rate was back down to under 2%. Bad weather at the beginning of the year (Cyclone Kina) hampered agricultural production (outside the sugar sector) and this, combined with labour disputes in the sugar industry, kept economic activity rather depressed. Given that the construction industry was also in recession, it was primarily due to the positive trend in the services sector - and the continued revival in tourism in particular - that the economy managed to record even this slight increase.

All the estimates for 1994 predict a clear upturn in the economy. The Fijian government, the World Bank and the ADB all agree that GDP will increase by 3.2% in real terms, while other estimates, such as the +4.0% increase predicted by the EIU, put the growth rate even higher. These estimates of relatively strong growth are founded on a fairly broad basis: a further upsurge in sugar production, a significant increase in timber production, an 11% rise in the number of tourists, expanding industrial output and greater construction activity are all expected to have contributed to an improvement in the economic situation. The only sectors to have followed a different course were wholesale and retail trade.

Assuming that the tourist sector continues to grow, that the good returns for agriculture in 1994 can be repeated and that the textile industry recovers from its temporary setback of the previous year, the ADB is forecasting 2.7% growth in GDP for 1995. It is, however, difficult to assess the medium and longer-term outlook for the Fijian economy at this present moment in time.

The basic prerequisite for lasting growth is, however, further diversification of the economy, which is still too dependent upon tourism and the sugar industry. While there is still considerable potential for the future expansion of tourism, the prospects look a good deal less hopeful for the sugar industry, which is facing ever stiffer international competition and is likely to lose its preferential access to the EU market in the near future (see chapter on external trade). The textile industry, which is now a very important part of the export trade, will also be faced with tougher international competition in view of the outcome of the Uruguay Round. Other challenges will arise from the progressive reduction of the tariff preferences granted to Fijian textiles by Australia and New Zealand under the South Pacific

Regional Trade and Economic Cooperation Agreement (Sparteca) and the anticipated removal of the import quotas for other textile products which have hitherto existed under the MFA Multi-fibre Arrangement. This branch of industry, like the sugar sector, is in urgent need of restructuring. However, Fiji's textile industry does have the competitive advantage of being able to react quickly and cheaply to relatively small orders, and if it can keep this trump card, its future may be one of positive development. In its efforts to broaden the basis of the economy as required, the government is seeking to promote eco-tourism and cultural tourism and is laying particular emphasis on expanding manufacturing industry, above all the agro-industry. It is also hoped that the yields from forestry plantations will provide fresh economic stimuli and produce a sharp increase in export earnings (see Chapter 3). It is, however, a precondition of economic diversification that the volume of private investment be much heavier than in the past, when the unstable internal political situation and frequent labour and wage disputes kept it down at a very modest level. The provision of incentives and a general framework conducive to private investment is one of the key tasks facing the Fijian government in its efforts to build a solid and internationally-competitive economy.

In contrast to Fiji, **Kiribati** has an extremely limited range of natural resources. It has virtually no land that can be used for agriculture, freshwater resources are scarce and phosphate mining on the island of Banaba had to be discontinued in 1979 when the deposits ran out. The country has virtually no industry and tourism is also very underdeveloped. Most of the generally modest agricultural activity is conducted for subsistence purposes. Its only real resource is its vast fishing grounds, which are mainly exploited by vessels from far-off fishing nations. Copra is one of Kiribati's few export products, along with seaweed, table fish and ornamental fish. All in all, since phosphate mining came to an end, exports have been nowhere near sufficient to cover the volume of imports.

The limited deposits of raw materials meant that there were few development opportunities open to Kiribati's economy in the 1980s and early 1990s. In 1980, following the end of phosphate mining, GDP crashed by over one-third, and with mediocre economic growth of just 0.8% p.a. from 1980 to 1993, value-added is still far short of its 1979 level. Per capita GDP fell on average by 1.2% p.a. from USD 447 in 1980 to USD 382 in 1993. The 1980s in particular were marked by generally stagnant production. The situation improved somewhat at the beginning of the 1990s with GDP rising annually by 2.3% from 1990 to 1993, the best year being 1993 when real GDP went up 3.0%. Although copra production suffered from the bad weather conditions, this was offset by a healthy construction industry and growth in the distributive trades and government services.

It is very difficult at the present moment to estimate economic growth in 1994. The ADB is predicting a slight 0.4% reduction in GDP, mainly on the basis of a downward trend in government services, the largest sector of the Kiribati economy. The construction industry, on the other hand, was thriving, due to the construction of a new airport and an increase in residential building activity. The economic outlook for the future is not judged to be particularly good and, with the construction projects coming to an end in 1995, GDP is expected to fall again. The tourist sector, another possible driving force for the economy, has also stalled temporarily. The large distances separating this relatively unknown country from the main tourist markets of Japan, the United States and Europe, the irregular air connections and its lack of a hotel infrastructure are all factors which work against rapid growth in this sector. The prospects for the fisheries sector are not particularly encouraging either, since despite having abundant fish stocks, the country lacks onshore processing facilities. There is a desperate need for politicial action on the economy, such as the large-scale privatization of State enterprises and a critical analysis of why the economy has remained so sluggish for over a decade despite gross investment ratios which have on occasion been well over 50% of GDP (see Table 2.5).

The dominant economic force in the Pacific islands region is **Papua New Guinea**, which possesses a wealth of agricultural and mineral raw materials. It produces a wide range of agricultural products, including coffee, cocoa, coconuts, copra, palm oil, tea, fruits and vegetables. Its most important mineral resources are gold, copper, silver, petroleum and natural gas, and it also has vast tracts of forest and abundant fish stocks as well as a largely-untapped hydroelectric potential. Its main industries are the processing of agricultural products (copra and palm oil) and the timber industry. After a long period in which agriculture, forestry and fisheries dominated the economic scene, mining has been moving centre stage since the end of the 1980s. As a result of the discovery and exploitation of the country's mining potential, mineral resources now account for almost three-quarters of Papua New Guinea's export earnings, while agricultural and forestry products - which once made up the lion's share of exports - have fallen back to around 25%, partly due to fluctuating prices for various products (including coffee, cocoa, copra and palm oil). The dualistic nature of the Papua New Guinean economy is reflected in the dichotomy between a dynamic, capital-intensive mining enclave with few further processing facilities and an agricultural sector which, although still the production basis sustaining the majority of the population, suffers especially from its lack of qualified labour, the absence of agro-inputs and an inadequate infrastructure.

With an annual GDP growth rate of 3.9% between 1980 and 1993, the expansion of the Papua New Guinean economy was above the regional average. Per capita GDP over this same period was up by an average 1.6% per annum. The economic cycle during this reference period was, however, anything but constant. The first half of the 1980s was marked by relatively weak economic growth of 1.4% per annum, as falling prices for agricultural exports and a reduction in copper and gold extraction on Bougainville slowed down the economy. This was a time of high current account deficits and rising foreign debts. Average annual growth in GDP during the second half of the decade was even lower at 1.1%. Although value-added did register strong growth up until 1988 with the intensification of mining activities, particularly following the opening of the Ok Tedi copper mine, weak international prices for agricultural goods and the closure of the Panguna copper and gold mine on Bougainville resulted in negative growth rates for 1989 and 1990 and lowered the five-year average. There then followed a boom period from 1990 to 1993 when the average annual increase in GDP was an impressive 13.0%. This was primarily the result of dynamic growth in the mining industry, since the contributions made by agriculture, forestry and fisheries were fairly slight. This trend led to a radical shift in the economic structure of the country, as agriculture, forestry and fisheries' share of GDP had sunk to 27.4% by 1994 while the figure for the mining-dominated industrial sector soared to almost 40%. In 1991, real value-added was already up by 10.2% due to the development of the Porgera gold mine, and the following year it rose a further +12.5% as oil started to flow from the Kutubu field and gold production remained high. A new record growth figure of 16.6% was reached in 1993 as oil production continued to increase, and as a result of this thundering pace of oil extraction, petroleum displaced gold as the country's main export product.

In 1994, this impressive upsurge came to an abrupt end. According to provisional data supplied by the World Bank, growth in GDP shrank to a modest 1.2%, while the ADB estimate was for under 1% (0.8%). This was attributed to the start of a recession in the mining industry compounded by diminishing oil and gold production. Were it not for higher production by agriculture, the building trade, industry and services, there would not even have been this slight growth. The forecast for 1995 too is far from optimistic. Further contraction in the mining industry due to the temporary depletion of various deposits is likely to saddle the economy with a negative growth rate of 4 to 5%. The economy will also probably suffer in the short term from the anticipated drop in demand prompted by the government's austerity programme.

Looking beyond 1995, the economic outlook for Papua New Guinea looks much brighter. Gold production is expected to be up again as early as 1996 with the extension of the Porgera mine and the development of two smaller deposits. In 1997, production should also start at the Likir gold mine, one of the largest deposits of gold in the world outside South Africa. New horizons should also open up for the oil sector in 1998 when the current exploration of the Gobe field is completed and oil starts to flow. On the other hand, it seems increasingly doubtful whether the considerable reserves of natural gas will come onstream in the near future, since this involves extremely high costs estimated at up to USD 10 thousand million. As in the early 1990s, however, mining alone cannot be the future driving force behind the whole economy, as some deposits offer only temporary promise of growth. Fortunately, the prospects for agricultural exports look healthier following the latest depreciation of the kina and in view of the increase in world market prices for some products (coffee, cocoa, palm kernels, copra). The construction industry should also be given a shot in the arm as work is carried out on the urgently-required expansion of the physical infrastructure. Radical economic reforms are, nevertheless, required in order to create the proper framework for long-term economic growth, one particular focus of activity being consolidation of the national budget. Measures such as privatization, the commercialisation or liquidation of State monopolies, and the diversion of government expenditure to activities promising long-term economic benefits are of capital importance. The government has, in the meantime, agreed to a World Bank and IMF structural adjustment programme and tightened up budgetary discipline. Government activity is to focus in future on small farmers in the agricultural sector in order to reduce the imbalances which exist between the modern segments of the economy and the traditional sector, and to ensure that a broad cross-section of the population can benefit from this economic progress. In addition to these economic measures, continued efforts will need to be made to develop human resources in order to overcome the current chronic shortage of skilled workers.

The main branches of the economy of the **Solomon Islands** are the production of agricultural products for the world market (including palm oil and kernels, copra and cocoa), the timber industry and fisheries. Subsistence agriculture still accounts for a large slice of value-added, estimated at around 20% to 25%, and together with the informal sector, subsistence agricultural production provides a livelihood for four-fifths of the population. Although there are various mineral deposits (lead, zinc, gold and silver), these are not fully exploited. Manufacturing industry too is still at the fledgling stage and most consumer goods currently have to be imported. Public services constitute the largest branch of the tertiary sector, while tourism has not as yet made any great inroads into the economy.

Its lack of diversification and overemphasis on export-oriented production of primary products makes the economy of the Solomon Islands extremely vulnerable to changes in the world market prices for its main export goods, and this has produced the occasional temporary drop in annual GDP. Despite this, the Solomon Islands' economic development since 1980 has generally been characterized by high growth levels. The average annual figure for overall economic performance between 1980 and 1993 was an impressive +6.0%. However, in view of the population explosion over this same period, per capita GDP grew at the much lower rate of 2.5% per annum. It should also be mentioned that with most of the working population engaged in subsistence agriculture or the informal sector, the bulk of this growth passed them by. Having already notched up an annual growth rate of 6.3% between 1980 and 1985, mainly due to the thriving copra trade, the increase in GDP climbed even higher to +6.9% per annum in the second half of the 1980s. The period from 1987 to 1989 was one of particularly dynamic expansion, making up for the slight decrease in 1986 caused by the collapse of international copra prices and hurricane damage. An upturn in palm oil production, higher fish catches and increased timber-felling are the reasons behind the unbroken positive trend since the mid-1980s. Between 1990 and 1993, the growth rate did drop slightly, but at an average 4.1% p.a. - thanks mainly to soaring timber production - it was still high. The record GDP growth rate of +8.2% recorded in 1992 was therefore almost solely due to the substantial expansion in timber production following the increase in world market prices for tropical raw woods. Similarly, as expansion in this sector slowed down in 1993, so too did the increase in value-added (to around 1%). As a result of the rapid increase in felling activity since the end of the 1980s, raw timber is now easily the Solomon Islands' most important export product ahead of fish, claiming over 50% of total export earnings.

With timber production continuing to rise - the ADB and the national authorities estimate that the volume felled has risen to around 700,000 m^3 - GDP is expected to be up by 4-4.5% in 1994. While the 13% increase in fish catches also contributed to the growth in GDP, the results for agriculture were mixed. In the long term, however, there will be a heavy price to pay both ecologically and economically for basing this growth primarily upon deforestation. The current volume of tree-felling is more than twice the 325,000 m^3 regarded as the upper limit for the long-term sustainability of the country's forestry resources. If logging continues at the current rate, the whole of the Solomon Islands will have been cleared within 20 years at the latest.

Another negative aspect of the timber industry is that there is virtually no domestic further processing of timber to increase value-added, as almost all the round timber felled is exported in its raw state.

Given the urgent need to curb tree-felling, the economic outlook for the Solomon Islands over the coming years does not seem too promising. Cutbacks in timber production will lead to a fall in economic growth and have a painful effect on the national budget and balance of payments. In order to put a stop to the ruthless exploitation of the forestry resources, there would need to be a permanent hike in export duties on raw woods and much better monitoring of forestry activities. In collaboration with the IMF and the World Bank, a list of measures has recently been drawn up for adapting the economy to a fall in government revenue from logging. These plans include making improvements to the bases of State revenue, privatising unprofitable public enterprises and shedding staff in the government sector. In addition to this programme of structural adjustment, which is more of a short-term measure, the production basis needs to be broadened before there can be any future upturn in the economy.

The economy of **Western Samoa** is largely based on the cultivation of agricultural products (such as coconuts, cocoa, copra, taro and bananas). The overriding importance of primary economic activities is shown by the fact that around 43% (1993) of GDP is still produced by agriculture, forestry and fisheries (see Table 2.4) and three-quarters of the labour force is employed in this sector. The country also has a small agro-industrial sector and the export-oriented assembly of electrical car parts has recently added to the value of its industrial sector.

The dominance of the agricultural sector means that Western Samoa's economic development is heavily dependent upon exogenous factors. Bad weather and fluctuating world market prices for its main agricultural export products have an influence on the whole economy of this island nation and are the main reasons for the low rate of economic development since the beginning of the 1980s. Western Samoa's GDP stagnated between 1980 and 1993 (+0.0% per annum), while per capita GDP fell slightly by 0.1% p.a. over the same period. The world recession of the early 1980s and a dwindling demand for tropical export fruits led to an annual 1.0% fall in economic output between 1980 and 1985. As the international situation improved in the second half of the decade, the country recorded moderate growth (+0.7% for 1985/90 av) backed up by stand-by credit from the IMF and various austerity measures (curbs in expenditure, devaluation, import restrictions, etc.). By 1990, however, this phase of moderate growth had already come to an end, and in February of that same year Cyclone Ofa left a trail of destruction across the islands, devastating coconut and cocoa production, as well as the timber and fisheries sectors and large swathes of the economic infrastructure. The result was that economic output crashed by more than 9% in 1990, and GDP fell a further 0.4% the following year. After having been hit by another cyclone (Val) in December 1991, the country's value-added shrank by a further 3.3% in 1992. During this period from 1990 to 1992 there were times when agricultural exports came to a total standstill. The situation started to stabilise in 1993, and as the Western Samoan economy recovered from the havoc wreaked by the cyclones it registered a strong 5.3% growth rate. This was primarily due to higher agricultural production, with taro cultivation in particular booming during the first half of the year. Tourism too recovered well from its downward trend of 1990-92 and made a telling contribution to overall growth in the economy. At the same time, output from the manufacturing sector was down due to the continuing shortage of copra and coconuts, and the trend was also negative in the construction industry once the reconstruction work had come to an end and a new hydroelectric power station had been completed.

In 1994, the economy experienced another downturn. Preliminary data from the EIU and the ADB indicate that real GDP shrank by between 5 and 7%. The taro crop was infested with a plant disease in the second half of 1993, and the situation worsened in 1994 leading to serious crop losses in this, the country's most important basic foodstuff. At one point a ban was placed on the export of taro in order to forestall any bottlenecks in supplies for the local population. There was also a further contraction in building activity in 1994. Despite the upturn in tourism and signs of some industrial development, the ADB does not anticipate any significant growth in GDP in 1995 either, as the situation remains problematic in the agricultural sector. The cultivation of coconuts and cocoa are the only activities expected to yield slightly higher harvests, on account of the increase in world market prices and a number of new plantations. One major burden upon government finance which is inhibiting economic growth comes in the form of the heavy losses suffered by Polynesian Airlines and the resulting debt obligations for the government.

One of the main tasks for the future is to broaden the basis of the Western Samoan economy. Despite tax incentives for foreign investors, the only inflow of foreign capital hitherto has been the establishment of a Japanese car parts assembly plant. In order to exploit the country's potential in the field of tourism, the infrastructure needs to be extended to accommodate a greater number of holidaymakers. In view of these limitiations, which could quite easily be overcome in the medium term, the local economy is not expected to benefit from any strong stimuli over the next few years.

Agriculture, forestry and fisheries is also the most important branch of the economy in **Tonga**, where it produces around two-fifths of national value-added, employs 50% of the labour force and provides about 80% of the country's export earnings. The other side of the coin is an underdeveloped industrial sector. The main branches of the services sector are tourism, offshore banking and the public sector.

In contrast to Western Samoa, however, the Tongan economy has taken off. With an annual GDP growth rate of 7.2% between 1980 and 1993, Tonga had the fastest-growing economy of all the Pacific ACP countries. Per capita GDP mushroomed from being the lowest of all in 1980 (USD 374) to USD 863 in 1993, an annual increase of 6.7%. There were, of course, various different phases of growth during this period. The absolute high point for growth was the perioed 1980-85, with GDP increasing by 16.1% per year. There then followed a period of stagnation (1985/90 av: +0.3% per annum) before the economy started to boom again in the early 1990s (1990/93 av: +4.7% per annum). The gains in production were particularly high in 1991 (+6.3%) and 1993 (+6.9%). The offer of subsidies and incentives for cultivating new agricultural products as part of the government's economic policy helped diversify the range of agricultural products exported and made a positive contribution to overall economic growth. Alongside traditional products such as coconuts, bananas and tropical root crops, farmers have, for a number of year now, been growing gourds, vanilla and tropical spices (ginger, pepper) for the export market. The fisheries sector is another export-oriented activity which is gaining importance. Tourism, meanwhile, has become the country's largest source of foreign exchange, playing a part in the recent expansion of the economy, and the construction industry has also expanded over the last few years with work being carried out on various infrastructural projects.

Initial data suggest that 1994 was also a broadly successful year for the Tongan economy. With satisfactory harvests and higher export earnings, stronger domestic demand, a dynamic construction sector and a steady increase in tourist activity, growth in GDP is estimated at between 4.3% (World Bank) and 4.7% (ADB, EIU). The prospects for economic expansion in 1995 and the second half of the 1990s are not judged to be as good. There is, for example, increasing international competition for the country's new varieties of agricultural exports, and with the emergence of new international banking centres offering offshore banking services (such as in the Caribbean) the competition is hotting up in this area too. In view of these developments, the ADB is calling for further specialisation in agricultural and marine niche products. The fertile soils also offer potential for further expanding the cultivation of foodstuffs for the domestic market, and greater efforts could be made regarding the further processing of agricultural products. In the services sector, while the opportunities for developing tourism look promising, the strong State presence in many key areas of the economy needs to be reduced in order to facilitate the emergence of an effective private sector. As Tonga sets off down the path towards a self-supporting economy, there is no doubt that it enjoys the advantage of skilled human resources and a well-developed infrastructure thanks to the substantial (per capita) development aid transfers received in the past and the money sent back by emigrant workers.

The situation in **Tuvalu** is conditioned by its extreme dearth of resources. The economic options for this island nation are restricted from the outset by its infertile coralline soils which have little capacity for storing water, a total lack of mineral resources and an almost non-existent tourist potential. Its marine fishing grounds constitute its sole natural resource. In view of the almost total absence of raw materials, the vast majority of the population lives from fishing and coconut production and its sole marketable agricultural product is copra. Given this lack of an export basis, the country is very dependent upon development aid transfers, revenue collected from fishing licences, income from the Tuvalu Trust Fund (TTF) and remittances by emigrants living abroad.

There are few detailed statistics available on the trends in Tuvalu's economic parameters, and the only reliable data are those supplied by the ADB. According to the ADB data, the trend in the

Tuvaluan economy since 1990 would appear to have been very positive, despite its limited resources and after real value-added had fallen by 1.9% in 1989. Economic growth stood at 7.5% in 1990 and even reached 11.4% in 1991. Growth in GDP was also high in 1992 (+ 8.9%) and 1993 (+ 8.7%). In the recent past, the main growth sectors have been the construction industry, public administration and, to a lesser extent, fisheries.

In 1994, overall economic growth is expected to be somewhat weaker at 2.6% as a result of lower growth in the fisheries sector and public services, which between them account for around 50% of GDP. The 1995 figure is likely to be much the same. In the case of Tuvalu, there are extremely limited possibilities for extending the economic structure and these are restricted to fish processing, small-scale commercial agriculture and the services sector. As with most of the other Pacific States, more attention needs to be paid in the future to extending the physical infrastructure and promoting human resources, thus laying down the foundations required for solid economic development.

Vanuatu's economy is another of those characterized by a pronounced dualistic structure. In all 80% of the population are mainly engaged in subsistence agriculture, producing only a limited volume of agricultural products for export markets (including copra, beef, cocoa, gourds and coffee). Fishing is another area where the motto is self-sufficiency. The formal economy is governed by the services sector and the main tertiary economic activities are government services along with offshore banking and an emerging tourist industry. With the exception of meat processing, the production segments of the secondary economy remain underdeveloped. One of the mistakes made in the past which has accentuated the structural imbalances was an overconcentration on urban development. The result was that as land became scarcer, the rural exodus accelerated and the gulf between urban and rural incomes widened.

Since independence in 1980, economic growth in Vanuatu has been almost uniformly positive, with annual GDP growing on average by 3.1% between 1980 and 1993. After the dynamic upswing of the first half of the 1980s (1980/85 av: +5.6% per annum), there then followed a period of relatively moderate growth (1985/90 av: + 1.6% per annum). The main factors restricting growth in value-added during this period were the cyclones which struck between 1986 and 1988. The beginning of the 1990s (1990/93) was another period of relatively low growth in GDP, with an average annual increase of only 1.6%. The economy was adversely affected at the start of this decade by the fall in export earnings from copra and beef in 1991, cyclone damage to agricultural production in 1992 and the fact that foreign direct investment trickled rather than flowed into the country due to the government's esoteric attitude towards foreign enterprises. Despite these moderate growth rates, some positive developments do stand out. Vanuatu has, for example, recently made major advances in gourd production fostered by an increase in world market prices, and other non-traditional export products such as kava are accounting for a larger slice of the export sector.

The ADB, IMF and EIU estimates for 1994 all mirror each other in predicting 2.0% growth in GDP. While agricultural production was partially affected by drought, this was offet by the increase in international copra prices and rising agricultural incomes. The timber industry took a sudden dive when a ban was placed on exports of raw wood in June 1994 in order to try to avert the danger of forestry resources being totally destroyed within a few years due to excessive logging. Tourism was expected to have enjoyed moderate growth during the year. The ADB estimate for 1995 is for economic growth to remain at much the same level as the previous year, the main factors behind this being the expansion of the public investment programme and higher agricultural prices. Given the opportunities available, however, this upward trend could be higher, and the State is to accord top priority in future to the promotion of tourism. A 'master plan' for tourism has already been drawn up with the aim of removing the obstacles which have hitherto stood in the way of concerted expansion in this sector. As in most other countries in the region, greater efforts also need to be made in the fields of health and education, in addition to developing the infrastructure in order to provide the requisite framework for a competitive private sector.

SUMMARY

Future economic growth and development in the Pacific ACP countries will depend first and foremost upon successful economic diversification. In the past, the overdependence of economic activity on one or two production or export sectors (e.g. Papua New Guinea: mining; Fiji: sugar and textiles; Solomon Islands: forestry and fisheries; Tonga: agriculture and fisheries) made them extremely vulnerable to external crises which sometimes had severe repercussions for the whole economy. There are some promising initial signs that several countries in the region are broadening their economic production basis, but these efforts need to be stepped up in the future in order to establish sound economies capable of guaranteeing lasting economic growth. Some of the main factors limiting this much-needed diversification include the paucity of natural resources possessed by some of the island nations, the tiny domestic market, the large distances separating them from markets with greater purchasing power, the generally underdeveloped infrastructure and the shortage of skilled labour. Several branches of the economy do, however, stand out for the growth potential they offer, providing they are properly developed. These are the cultivation of non-traditional agricultural products for the world market, the better exploitation of the vast sea fishery resources, the expansion of various agro-industries, and local fish and timber processing. In the services sector, the most lucrative avenues would appear to be tourism, which offers many possibilities yet to be explored, and international banking services. In so saying, these sectors will have to brace themselves to meet strong international competition. In virtually every instance, the development of this economic potential will only be possible with the aid of foreign direct investment because of the limited size of the local capital base. For this to happen, the necessary framework needs to be created and incentives offered - conditions which have hitherto been lacking in some of these Pacific countries.

2.3 DEVELOPMENT OF GROSS DOMESTIC PRODUCT AT MARKET PRICES

Year	Gross domestic product at market prices				Price components	Inhabitants
	Current prices	1987 prices				
		Total		Per capita		
	Mio cu		Mio USD	USD	1987 = 100	
			Fiji (F$)			
1980	983.7	1 472.0	1 183.3	1 866	66.8	89.3
1985	1 316.1	1 466.9	1 179.2	1 687	89.7	98.5
1990	2 045.0	1 773.4	1 425.5	1 964	115.3	102.3
1991	2 176.0	1 785.3	1 435.1	1 947	121.9	103.8
1992	2 342.0	1 840.6	1 479.6	1 975	127.2	105.5
1993	2 597.0	1 875.6	1 507.7	1 984	138.5	107.0
			Kiribati (A$)			
1980	24.5	37.0	25.9	447	66.2	86.6
1985	32.8	37.2	26.1	407	88.1	95.5
1990	43.4	38.2	26.7	377	113.8	106.0
1991	46.9	39.1	27.4	380	120.0	107.5
1992	50.0	39.7	27.8	376	126.0	110.4
1993	.	40.9	28.6	382	.	111.9
			Papua New Guinea (K)			
1980	1 708.2	2 468.3	2 718.1	881	69.2	85.8
1985	2 423.9	2 651.6	2 919.9	848	91.4	95.7
1990	3 076.1	2 798.0	3 081.1	803	109.9	106.8
1991	3 605.5	3 082.6	3 394.6	864	117.0	109.2
1992	4 139.6	3 466.6	3 817.5	950	119.4	111.7
1993	4 939.3	4 042.0	4 451.1	1 083	122.2	114.3
			Solomon Islands (SI$)			
1980	96.3	197.4	98.6	434	48.8	78.5
1985	236.9	268.1	133.9	496	88.4	93.4
1990	534.0	375.1	187.3	585	142.4	110.7
1991	589.0	387.2	193.3	584	152.1	114.5
1992	704.2	418.8	209.1	611	168.2	118.3
1993	.	422.6	211.0	596	.	122.5

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2.3 DEVELOPMENT OF GROSS DOMESTIC PRODUCT AT MARKET PRICES (continued)

Year	Gross domestic product at market prices				Price components	Inhabitants
	Current prices	1987 prices				
		Total		Per capita		
	Mio cu		Mio USD	USD	1987 = 100	
			Western Samoa (WS$)			
1980	103.0	215.5	101.6	656	47.8	98.7
1985	196.7	205.3	96.8	617	95.8	100.0
1990	336.7	212.6	100.3	635	158.4	100.6
1991	347.7	211.7	99.9	632	164.2	100.6
1992	365.9	204.8	96.6	611	178.6	100.6
1993	.	215.7	101.6	643	.	100.6
			Tonga (T$)			
1980	46.8	51.9	34.4	374	90.1	96.8
1985	80.0	109.4	72.4	770	73.1	98.9
1990	145.2	111.3	73.7	767	130.5	101.1
1991	167.8	118.3	78.3	807	141.8	102.1
1992	179.1	119.5	79.1	815	149.8	102.1
1993	198.6	127.8	84.6	863	155.4	103.2
			Vanuatu (VT)			
1980	7 745.9	10 369.6	94.4	814	74.7	83.5
1985	12 534.0	13 639.4	124.2	934	91.9	95.7
1990	17 899.0	14 791.9	134.7	898	121.0	107.9
1991	19 727.0	15 088.1	137.4	898	130.7	110.1
1992	20 713.0	15 239.2	138.7	884	135.9	112.9
1993	.	15 498.3	141.1	876	.	115.8

2.4 GENERATION OF GROSS DOMESTIC PRODUCT AT FACTOR COST*)
(%)

Year	Gross domestic product at factor cost	broken down into			
		Agriculture, forestry and fisheries	Industry	of which Manufacturing industry	Other branches
		Fiji			
1980	100	22.1	22.0	11.9	55.8
1985	100	18.3	19.5	9.5	62.2
1992	100	18.5	20.0	9.9	61.5
1993	100	19.6	.	10.5	.
		Kiribati			
1980	100	20.8	9.0	2.1	70.3
1985	100	27.8	9.7	2.2	62.5
1990	100	21.1	11.8	2.2	67.2
1992	100	24.3	9.2	2.1	66.6
		Papua New Guinea[1)]			
1980	100	33.1	26.8	9.5	40.0
1985	100	33.8	26.2	10.9	40.0
1990	100	29.0	30.4	9.0	40.6
1993	100	26.6	40.8	8.2	32.6
1994	100	27.4	39.6	7.8	32.9
		Solomon Islands			
1985	100	51.6	8.4	3.8	40.0
1987	100	44.3	8.0	3.2	47.7
		Samoa[1)]			
1990	100	46.4	17.8	11.6	35.9
1992	100	43.6	21.1	12.1	35.4
1993	100	42.9	21.5	12.0	35.6
		Tonga			
1980	100	38.5	14.4	7.0	47.0
1985	100	41.3	19.0	9.5	39.7
1990	100	35.6	13.7	6.2	50.7
1993	100	38.6	12.5	5.1	48.9

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2.4 GENERATION OF GROSS DOMESTIC PRODUCT AT FACTOR COST*) (continued)
(%)

Year	Gross domestic product at factor cost	broken down into: Agriculture, forestry and fisheries	Industry	of which: Manufacturing industry	Other branches
		Tuvalu			
1985	100	10.9	13.6	2.2 2)	76.1
1990	100	21.2	21.3	5.1 2)	57.6
		Vanuatu			
1980 1)	100	18.9	16.2	4.2 2)	64.9
1990 1)	100	20.0	13.5	5.9	66.5
1993	100	18.9	13.3	5.8	67.8

*) In current prices
1) Gross domestic product at market prices
2) Including mining and quarrying

2.5 USE OF GROSS DOMESTIC PRODUCT*)
(%)

Year	Gross domestic product at market prices	of which: Private consumption	State consumption	Gross capital formation	Final domestic consumption	Exports of goods and services	Imports of goods and services
			Fiji				
1980	100	58.4	15.9	31.8	106.2	48.5	51.9
1985	100	63.7	19.2	19.1	101.9	44.3	44.7
1990	100	66.8	16.6	17.4	100.8	64.1	65.0
1993	100	66.6	18.5	16.7	101.8	56.2	59.4
			Kiribati				
1980	100	92.7	59.3	33.2	185.1	23.5	110.4
1985	100	67.7	51.0	53.8	172.5	19.7	117.8
1990	100	65.6	46.7	82.3	194.6	10.3	130.1
1992	100	68.2	54.1	56.2	178.5	12.5	113.7

continued on next page

2.5 USE OF GROSS DOMESTIC PRODUCT*) (continued)
(%)

Year	Gross domestic product at market prices	of which Private consumption	State consumption	Gross capital formation	Final domestic consumption	Exports of goods and services	Imports of goods and services
			Papua New Guinea				
1980	100	61.5	24.1	25.2	110.8	43.2	53.3
1985	100	66.6	23.8	20.0	110.4	42.5	52.9
1990	100	59.0	24.8	24.4	108.3	40.6	48.9
1993	100	51.7	20.5	18.8	91.0	48.6	39.6
			Solomon Islands				
1980	100	70.2	23.1	36.4	129.7	70.3	100.0
1985	100	64.4	28.1	26.3	118.7	52.4	71.2
1990	100	69.5	27.5	29.0	126.0	46.8	72.8
1993	100	70.6	31.1	28.0	129.6	54.3	83.9
			Western Samoa				
1980	100	86.8	17.7	33.1	137.6	25.0	62.6
1985	100	87.3	17.8	30.6	135.6	28.3	63.9
1990	100	81.4	18.8	34.4	134.6	30.6	65.1
1993	100	91.1	23.4	42.0	156.5	31.3	87.8
			Tonga				
1980	100	90.9	14.6	28.7	134.3	30.0	64.4
1985	100	98.3	17.6	36.1	152.0	25.1	77.1
1993	100	106.1	11.9	24.5	142.5	16.6	59.0
			Vanuatu				
1985	100	56.6	35.9	28.2	120.7	51.0	72.3
1990	100	62.9	28.2	43.5	134.6	46.4	76.6
1993	100	53.3	27.5	30.2	111.0	44.4	60.4

*) In current prices. Including a statistical difference.

3. AGRICULTURE, FORESTRY AND FISHERIES

INTRODUCTION

Agriculture, forestry and fisheries play a key role in the economic life of most Pacific ACP countries. This sector of the economy accounts for at least one-fifth of the total value-added in each of the eight countries. In Western Samoa, Tonga and the Solomon Islands, the contribution to GDP made by the primary sector (excluding mining) is at least 40% (see Table 2.4). Even in Papua New Guinea where the mining sector is dominant and the importance of agriculture, forestry and fisheries has been diminishing, these activities still account for over one-quarter of total economic output. The primary sector is also important for the export trade. In view of the general absence of further processing industries and mineral resources, most of the Pacific ACP countries' exports are in the form of agricultural, forestry and fishery products. In so saying, however, the range of agricultural exports is very limited, and this lack of diversification is obvious from the fact that a few products from the primary sector account for an extremely high proportion of total exports. Exports of wood from the Solomon Islands, for example, now make up over 50% of the country's total exports, while up to 30% of Fiji's export earnings are gained from sugar. Despite some initial efforts made by Vanuatu to diversify its exports, copra alone still accounts for between 40 and 60% of the total, depending on the year. In addition to its contribution to value-added and the export trade, this sector is also an important source of employment for the Pacific islanders, providing a livelihood for a substantial number of them. In some countries (such as Western Samoa or Vanuatu), up to 80% of the population live from the subsistence or market-oriented cultivation of field crops, fishing and/or income from the licence fees they charge to fell timber in their forests.

ARABLE AND LIVESTOCK FARMING

There is one major problem confronting arable and livestock farming in the Pacific islands: the limited amount of land which is suitable for growing crops or grazing. In Papua New Guinea, only 1.1% of the total surface area is currently used as arable land, for permanent crops or for grazing. The opportunities for expanding the utilized agricultural area are restricted here by the topography: steep slopes, inaccessible forest and mountain regions and soils which are ill-suited to agricultural purposes. In the Solomon Islands too, only around 3% of the territory is used for arable and livestock farming, while these activities are virtually non-existent on Tuvalu. The land available for field crops, permanent crops or grazing does not exceed 5,000 km^2 in any of the eight countries (see Table 3.1).

Another problem is the fact that the island archipelagos are scattered over such a wide area. This makes it difficult to ensure efficient supplies of agro-inputs for agricultural producers, to extend agricultural consultancy services and to market export products, and also hampers the development of agricultural production potential. A further obstacle is the traditional form of land ownership (communal land ownership), which can also be counterproductive or stifle innovation. One of the basic problems facing arable and livestock farming in the Pacific islands is the recurrence of cyclones, floods and drought. These have often led in the past to serious crop losses and have sometimes deprived large sections of the rural population of the wherewithal to eke out an existence.

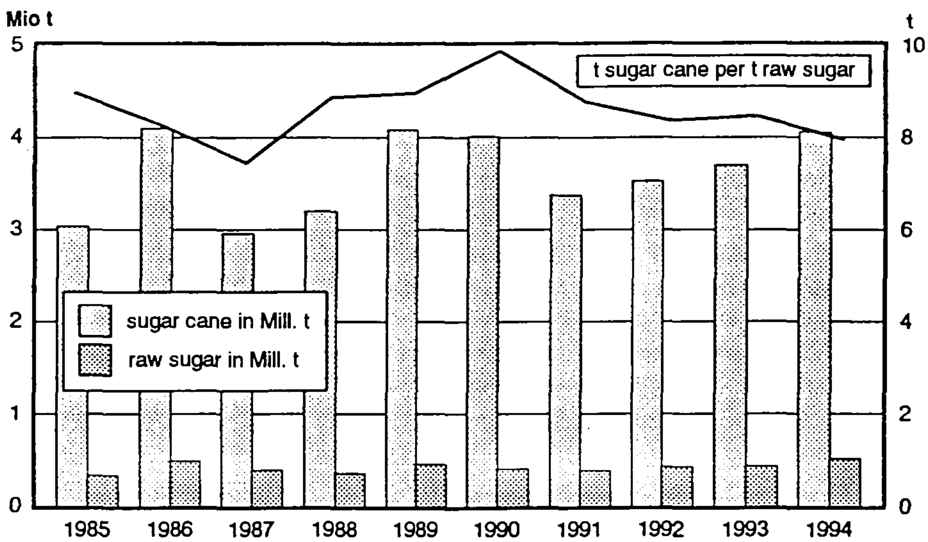
Despite these often difficult conditions, which have not been helped by fluctuating or plummeting world market prices for a considerable number of the region's agricultural export products, some encouraging developments have taken place in the agricultural economy of certain countries, particularly in response to the urgent need to broaden the basis of the economy by growing new marketable agricultural products.

The cornerstone of the **Fijian** agricultural sector is sugar, which is still far and away the country's most important export product. The cultivation of copra and, to a lesser extent, bananas is also important for the export sector. The main foodstuffs grown are rice, manioc, vegetables and fruit, while the main livestock farming activities are milk production and the production of beef and poultry. Despite its efforts, Fiji is still not self-sufficient in foodstuffs and has to import a number of agricultural products.

The expansion of agriculture with the emphasis firmly on the cultivation of sugar cane has long been regarded as important in creating jobs and stemming the rural exodus. The trend in the sugar sector, however, has not been one of steady growth. Although 1986 did see a record harvest of 502,000 t of raw sugar, production fell by around one-fifth the very next year on account of drought, delays in starting the harvest and damage caused by the May coup to some areas under cultivation (see Figure 3.1). Sugar production fell again in 1988 and, after rallying briefly in 1989, it suffered a further setback in 1990 as a result of a boycott which delayed the harvest for five weeks and resulted in extremely poor-quality raw sugar. In 1991, output even slumped to well below 400,000 t, making it necessary to import sugar just to be able to meet the country's existing export obligations. The sugar sector has shown signs of recovery since 1992, and with the tense climate in the sugar industry defusing in the aftermath of the elections, the harvest returns of 426,000 t of raw sugar were a substantial 9.5% higher than the previous year. Sugar production was up again in 1993 to 442,000 t, due to an increase in the area under cultivation and good weather conditions. In view of the substantial rise in world market prices, the Fiji Sugar Corporation (FSC) is predicting that 1994 will see a new record harvest as sugar production soars to 517,000 t (+17%).

The long-term prospects for the Fijian sugar industry and its 22,000 or so independent sugar cane producers do not, however, look too promising. Firstly, it is clear that the temporary increase in international sugar prices will soon come to an end (see Chapter 15), and then the conclusion of the last Uruguay Round is likely to result in substantial changes in the preferential access enjoyed by Fijian sugar to its current markets. In particular, the imminent reduction anticipated in the fixed prices guaranteed by the EU, which buys Fijian sugar for prices well over the world market rate, will have painful repercussions on the country's sugar trade, whose international competitiveness has fallen sharply due to inefficient methods of cultivation and the expansion of production in marginal locations. By the end of Lomé IV and the expiry of the EU sugar protocol at the latest, the Fijian sugar industry will have to come to terms with radical changes in access to its main market. One further problem is the fact that the sugar producers have leased most of their cultivated land from the Native Land Trust Board and most of these lease contracts will expire in the near future. This has given rise to great uncertainty amongst sugar-growers.

3.1 FIJI: PRODUCTION OF SUGAR CANE AND RAW SUGAR



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In view of this situation, urgent steps need to be taken to adapt the sugar industry to the changing conditions on the world market and to eliminate the existing structural defects. Some initial attempts at restructuring have been made, one such being the proposal by the Sugar Commission, the agency chosen by the Government to draw up adaptation measures, to introduce a price system geared towards the quality of the raw sugar delivered instead of the previous, purely quantity-based, scheme. Other measures recommended by the Sugar Commission include the reorganization of marketing, transport and research in the sugar sector, and rationalising the existing system of incentives for cane sugar producers and the sugar-processing industry. The Sugar Commission is also calling for a speedy solution to the land-lease problem in order to secure longer-term prospects for sugar-growers, since the latter are more likely to play an active part in the vital restructuring process once this issue has been resolved.

The production of copra, Fiji's second-largest agricultural export product, has nosedived since the mid-1960s. Whereas annual production was over 40,000 t 30 years ago, it sank to between 20,000 and 25,000 t in the 1970s and 1980s, and reached a low point of 13,000 t in 1987 when it was badly affected by hurricane damage. Since then, annual production has generally remained below 20,000 t as a result of low world market prices and an ageing stock of coconut palms. Nor does the future look too good for the industry either. The only likelihood of a sharp increase in production or a larger slice of the export market would be if international copra prices were to recover dramatically, but despite a temporary rally in prices in 1994, the EIU is already predicting a further fall for 1995.

Given the uncertainties surrounding the future of sugar and copra, Fiji has recently stepped up its efforts to broaden its range of export-oriented agricultural products. As a result, farmers are being encouraged to grow products such as cocoa, ginger, vegetables and tropical fruits (including citrus fruits), and incentives are also being offered for animal products. These programmes are aimed primarily at smallholders and have notched up some early successes, one example being ginger which is grown on a very labour-intensive basis. In 1992, the ginger harvest was already 3,400 t (Table 3.4), and although production fell to below 3,000 t in 1993 as a result of Cyclone Kina, it is expected to make a spectacular recovery in 1994, as many farmers have since switched over to growing ginger in the place of other less lucrative fruits. Considerable progress has also been made in meat production (see Table 3.6), and with the basis also recently being laid for the further processing of new agricultural products with export potential, this should lead to an increase in value-added and export value. These measures include the construction of a slaughterhouse, the setting up of a coconut processing plant and the creation of facilities for processing ginger and groundnuts. Having said this, however, it is unlikely that these new departures will be able to fully offset the future losses in earnings which are feared from shrinking sugar exports.

There are three segments of agricultural production in **Papua New Guinea**: commercial plantations which employ a salaried labour force and grow tree fruits mainly for the export market; smallholders whose production is also mainly export-oriented; and subsistence farmers who produce root crops, tuber crops and various vegetables for their own needs and, to a certain extent, for local markets.

Papua New Guinea's four main agricultural exports are coffee, cocoa, copra and palm oil, and between 50 and 70% of these items are produced by export-oriented smallholders. Other important export products in the agricultural sector are tea, rubber and pyrethrum. The main basic foodstuffs produced are root and tuber crops (sweet potatoes, manioc, yams and taro), bananas, sugar cane and groundnuts; cereals, however, have to be imported. In order to increase self-sufficiency in foodstuffs and protect domestic production, the government has placed a ban on imports of 37 types of fruit and vegetables.

Papua New Guinea's agricultural export trade was particularly badly hit by the collapse in international prices for a number of agricultural products in the 1980s and early 1990s. In view of the low prices, the national government felt obliged to introduce a price support mechanism for products such as coffee, cocoa, palm oil and copra in order to compensate producers for losses in export earnings. In the past, the government's efforts to promote the agricultural export trade have taken many different forms. In 1988, six special investment programmes were set in motion for coffee, copra, cocoa, palm oil, rubber and other export fruits of lesser importance, in order to boost productivity and the quality of the agricultural produce. In 1991, a further series of measures was introduced to stimulate trade in agricultural exports, including such steps as reduced interest rates for commercial bank loans to cocoa farmers, improved price support mechanisms for coffee, cocoa and palm oil, the expansion of agricultural advisory services and favourable terms for loans to develop new export fruits.

As international prices for agricultural products continued to fall, it was quite some time before these measures met with any great success. In 1992 and 1993, for example, earnings from the export of agricultural products were lower than in 1988. The turning point came in 1994 when the significant recovery in world market prices for Papua New Guinea's main agricultural export goods brought much higher export earnings, particularly due to the increase in coffee, copra, tea and rubber exports. This meant that expenditure under the government's price support scheme could be cut back substantially in 1994. Agricultural exports are expected to be up again in 1995, since in addition to a further increase in the world market (dollar-based) prices for most export products (with the exception of copra), the devaluation of the national currency, the Kina, carried out at the end of 1994 will help boost export earnings. However, given that the past has seen major fluctuations in export prices for Papua New Guinea's traditional agricultural export goods, further diversification in the range of agricultural goods produced is still a matter of capital importance.

In the **Solomon Islands**, the high population growth rate coupled with scant land resources is pushing the agriculture sector nearer and nearer to the limits of its production capacity. The traditional method of shifting cultivation requires long fallow seasons in order to regenerate the fertility of the soil, but the pressure of a rising population means that this can no longer be observed. The result is deteriorating soil quality and lower productivity.

The main export products grown on the Solomon Islands are copra, palm oil and cocoa. As a result of the collapse in world market prices and hurricane damage, copra production, 70% of which is carried out by smallholders, has fallen sharply since the mid-1980s, from 42,000 t in 1985 to an annual figure of around 30,000 t between 1992 and 1994. Palm oil production, on the other hand, has made a relatively quick recovery from the ravages of Cyclone Namu in 1986, despite poor world market prices. This turnaround can be attributed to the successful attempts made by the country's main producer - the Solomon Islands Plantations Ltd (SIPL) - to repair the palm oil sector. The crisis-ridden cocoa-growing sector was developed at the beginning of the 1980s, but the SIPL plans to abandon its cocoa plantations by 1995 and replace them with oil palms. It is easy to deduce from these developments that the export trade in traditional agricultural products has been lacking momentum since the mid-1980s, and it is little wonder, therefore, that exports of timber and fish have surged ahead in value terms (see sections on forestry and fisheries).

The main attempts to develop new export products have concentrated on tropical spices, and many smallholders have started to grow small quantities of ginger, cinnamon and turmeric for export markets. In the long term, however, the income from the sale of these products will be nowhere near enough to offset the loss of export earnings which will arise when essential measures are taken to reduce the current excessive rate of logging (see below).

In the field of livestock farming, successful efforts have been made to step up the production of pork, which, along with fish, is an important source of protein for the population. No significant progress has, however, been made in production by any other sectors of livestock farming since the mid-1980s.

Agriculture in **Western Samoa** suffered extensive damage during the cyclones of 1990 and 1991, when a large part of the harvest was destroyed and the export of agricultural exports virtually ground to a halt. Production of the country's two main export goods - coconuts and copra - was particularly badly hit, with coconut production dropping to 100,000 t by 1992 (1985: 248,000 t) and the 130,000 t harvested in both 1993 and 1994 falling well short of the figures for previous years. Copra production shrank to 11,000 t in 1992, after having been up at 25,000 t in 1985. This only served to confirm the downward trend of the early 1990s caused by low world market prices, which had already been evident towards the end of the previous decade. In order to breathe life back into the coconut sector, which is vital to the country's export trade, the government plans to replace old trees with new plantations of coconut palms.

While current cocoa output is at times less than 1,000 t per year, the cocoa industry could have a greater role to play in the future. Work is already under way on a development project to extend cocoa plantations with a view to increasing production to some 8,000 t per annum in the near future. This objective is made all the more important by the fact that taro, another basic foodstuff which is also an export product, has suffered serious crop losses following infestation with a plant disease in 1994. A temporary ban was even imposed on exports in order to guarantee supplies for the local population.

Tonga enjoys fertile soils and can be cited as an example of successful agricultural diversification. Although copra had previously been its main export item, the export trade was abandoned in 1982. Copra was then processed into animal fodder and oilcakes, and a whole range of new export products were successfully developed over the following years to replace it. Many farmers switched over to growing other fruits, with the result that copra production is now of very little importance. The range of new plant products extends from gourds to cocoa and coffee and on to vanilla, black pepper and ginger. The export of gourds in particular has been so successful over the last few years that this product is now way ahead of the rest of the field in the export league table. The main client for gourds is Japan, which agreed to import 17,000 t from Tonga in 1994. There is, however, also a downside to the rapid expansion of gourd cultivation, as the national Ministry of Agriculture has issued warnings that the export-oriented production of gourds could have serious environmental consequences. There is already recent evidence that extensive farming of this one crop has led to diminishing yields per unit of area under cultivation and an increase in the incidence of plant disease.

There are major gaps in animal production in Tonga. While the country is more or less self-sufficient in hen's eggs, meat production cannot meet domestic demand. Only around one-third of the meat eaten in Tonga (mainly pigmeat and poultry) is produced on the islands.

Vanuatu has also met with some success with similar moves to diversify its agricultural exports. As in the case of Tonga, the cultivation of gourds has been pushed at the expense of traditional cash crops such as copra and cocoa. The success of this initiative can be seen from the fact that gourds have, within only a few years, developed into the country's fourth most-important agricultural export and have helped cushion the effect of the slump in copra production and exports. The recession in the copra sector is reflected in the production figures. Ever since the record year of 1984 when high copra prices led to a production figure of 47,000 t, the decline in output has been almost constant. Unfavourable climatic conditions, falling prices on the world market, ageing trees and the switchover to new products in many areas where coconut palms once stood pushed production figures down to between 27 000 and 30 000 t from 1992 to 1994.

The coming years should also offer opportunities for growth in the cultivation and export of cocoa, which has already profited from the sharp increase in world market prices in 1994. The Metenesel Estate, founded in 1993, aims to carry a 1,700 ha cocoa project on the island of Malakula through to the production stage. The national authorities hope that this project will add 2,000 t to the annual cocoa harvest by the year 2000. There is also a healthy upward trend in exports of kava, with increased sales mainly in the markets of eastern Asia.

Livestock farming is also of importance to the export trade and the country does have a tradition of exporting beef. Vanuatu possesses good meat-processing facilities (three slaughterhouses and three meat-canning plants), enabling it to supply frozen or canned beef and veal to the Japanese market in particular.

Despite this encouraging success in diversifying its exports, Vanuatu does import a considerable number of foodstuffs. Since, as a rule, these imports tend to exceed the volume of agricultural exports, the country remains a net importer of agricultural products.

SUMMARY

There are some promising signs of agricultural diversification in most of the Pacific countries, but further efforts are required. The export earnings currently gained from the cultivation and export of new agricultural niche products are not sufficient to guarantee lasting growth in exports and value-added. As well as identifying further non-traditional agricultural products with export potential, the main focus of activity should be to extend agro-industrial processing capacity. The only way of making a decisive long-term contribution towards stimulating economic activity in the Pacific islands is to build up a broad range of facilities which will raise value-added by processing agricultural products for the export market.

FORESTRY

The role played by the forestry sector in the economic life of certain Pacific countries should not be underestimated. This is already obvious from the fact that forests cover large parts of many of these countries. While the Solomon Islands has the largest proportion of forest area with 93%, Papua New Guinea (83%), Vanuatu (75%), Fiji (65%) and Western Samoa (47%) are all also heavily-wooded. The islands of Tonga, Kiribati and Tuvalu, on the other hand, have little or no forest area at all. It is not just the proportion of forested area which differs from country to country, but also the extent to which these forestry resources are commercially exploited. Table 3.1 shows that according to United Nations Food and Agriculture organization (FAO) data, there is 42.0 million ha of wooded area in Papua New Guinea (1993), approximately nine times the total figure for the other seven countries put together. The only other countries to have over one million ha of forest are the Solomon Islands (2,450 million ha) and Fiji (1,185 million ha). One of the limiting factors restricting the timber industry in some countries is that only some of their forests can be used commercially. The lack of infrastructural facilities, steep hillsides and/or damage by cyclones are the main reasons for the limitations on exploiting these Pacific forests.

The upturn in forestry in the Pacific islands started in earnest at the beginning of the 1990s. With restrictions being placed on exports of tropical raw woods by traditional suppliers such as the Philippines and Indonesia, Malaysia revising its policy on forestry, leading in 1993 to a ban on exports of raw wood from Sabah and a reduction in logging on Sarawak[2], and cutbacks in the quotas for tree-felling in the west of North America, international clients had

[2] These measures have since been lifted.

to look for new suppliers of raw wood and developed an interest in the forestry resources of the Pacific region. More specifically, Japan, the world's largest importer of tropical raw woods, and the Malaysian timber companies, which had previously been its main suppliers, discovered the increasing scope for exploiting the forests of Africa, South America (Guyana, Suriname) and the Pacific as a lucrative substitute to traditional timber-producing countries. The reason for the popularity of the Pacific with the timber companies was not least because the low taxes on wood exports and moderate licence fees payable to the local forest owners made tree-felling here a particularly profitable enterprise. As a result of these developments, there was a sharp rise in timber licences and tree-felling in the Pacific countries in the early 1990s. One indicator of just how dynamic this trend has been is the fact that in some countries (Solomon Islands, Western Samoa, occasionally Vanuatu) the real logging rates or the volume of trees felled per licence (Solomon Islands) have been far in excess of the maximum limit for the long-term ecological sustainability of timber extraction, which could have serious consequences for their forestry resources and the whole fragile environment of the island archipelagos concerned (see Chapter 16 on the Environment). The clearest evidence of this shift in the international raw timber market towards the Pacific lies in the fact that Papua New Guinea is now up alongside the Malaysian province of Sarawak as the main supplier of tropical raw wood to Japan.

A quick glance at the proportion of total exports falling to wood and wood products in certain Pacific countries shows just how much economic clout the forestry sector now has. By 1993, around 55% of the Solomon Islands' export earnings came from the sale of raw woods, while around 20% of the country's total government revenue was in the form of export duties on timber. Wood also makes up 16% of Papua New Guinea's exports, 13% of the total in Vanuatu and 7% in Fiji. The general picture for the region is, however, by no means uniform, since in contrast to these wood exporters the smaller islands of Western Samoa, Kiribati and Tonga are all net importers of wood products. One of the main negative points for all the wood-exporting countries, with the exception of Fiji, is that almost all the wood is exported in its raw form (as logs), either because there are no processing facilities to produce value-added or because the processed wood products are aimed at the domestic market. Another flaw which has already been mentioned is that the profits from the timber trade are unequally distributed. In Papua New Guinea, Fiji, the Solomon Islands and Vanuatu, the forest owners (mainly village communities and clans) only receive between 10 and 15% of the sales value of the wood in the form of licence fees (royalties). The Government's revenue from taxes and export duties and levies varies from between 30 and 35% in Papua New Guinea and the Solomon Islands to just 5 to 15% in Fiji and Vanuatu. This means that the timber companies rake in between 30 and 50% of the earnings (after deducting production costs) in the form of sales profits. On the basis of the latest available studies, the World Bank has calculated that as raw wood prices and logging costs stand at present, the government and forest owners' combined share of the profits could be raised across the board to as much as 50% of the value of the timber without making too large a dent in the timber companies' profit margins. It would also be advisable to immediately increase export duties on raw wood and raise the licence fees rather than remain unnecessarily generous towards foreign timber companies.

This would also be beneficial in that with higher return flows per production unit despite a lower volume of trees felled, the State could still satisfy its need to derive income from forestry while at least partially restraining the indiscriminate process of deforestation.

The expansion of forestry in the Pacific countries is already evident from the data contained in Table 3.7 on timber extraction, although it should be pointed out here that the various national and international organizations do come up with different figures. Table 3.7 is based mainly on the FAO's figures, since the methodology and underlying concepts behind these data make them the only figures suitable for country-by-country comparisons. In instances where more recent data were available from national or other international sources, these were incorporated into the table or the textual analysis of the development of forestry in the individual Pacific countries, provided they corresponded with the parameters used for the FAO data. Generally speaking, a certain caution should be exercised when using the data on tree-felling in the Pacific ACP countries, since it is very difficult to record the true extent of logging activity, due to the fact that the timber companies carrying out these operations often do not disclose the total volume of their timber production or exports, and the State systems for controlling or monitoring forestry activities are either non-existent or rudimentary.

Forestry in **Fiji** has been booming since the mid-1980s thanks to an increase in overseas demand. Commercial felling really took off when production started on the 55 000 ha of pine plantations set up with a massive injection of international development assistance. According to the FAO data, Fiji's total wood production rose from 249,000 m^3 in 1985 to over 300,000 m^3 by 1993. The World Bank and the IMF estimate the increase to have been even higher, putting total wood production from natural forests and forestry plantations at 417,000 m^3 for 1992. These two organizations predict that raw wood production will have reached 500,000 m^3 in 1993, a further 20% increase on the previous year. With 40,000 ha of mahagony plantations becoming ready for felling in the near future, Fiji hopes that timber production will rise even further to claim an even larger slice of the country's total exports - a share which has already risen from 2 to 7% in just three years. According to estimates drawn up by national representatives, raw wood and wood products could replace sugar as the country's most important export product by the year 2000, thus making a major contribution towards the diversification of the country's export trade.

There are, however, limits to all of this. Fiji, in fact, serves as a perfect example for many Pacific countries of the drawbacks involved in giving large areas of land over to forestry plantations. Apart from the negative effects on the environment caused by the fact that these are often 'pure' plantations with no variety of species, tree-planting is a capital- and labour-intensive activity requiring high investment with few return flows, so there is always a danger that the State might need to step in to provide subsidies. On top of this, forestry plantations in the South Pacific are vulnerable to the whims of the climate, exposed as they are to the constant threat of cyclones which tend to wreak even greater damage on plantations than on the natural forests, the former being ill-suited to the local conditions for vegetation. The proliferation of trees in the Fijian pine plantations, for example, has often been curtailed in the past by hurricane damage on top of forest fires and periods of drought. In 1987, for instance, approximately 7,000 ha of these plantations fell victim to bad weather and acts of sabotage. Given these circumstances, it is questionable whether the expansion in wood production can reach the levels touted.

One undeniable asset of the Fijian forestry sector when compared with the other Pacific countries is the fact that it does already have wood-processing facilities. There is, for example, a sawmill on Viti Levu which has a processing capacity of around 190,000 m^3 of raw wood and downstream shipping facilities. These do then form the basis for export production with greater value-added.

Papua New Guinea is by far the largest producer of raw wood in the Pacific, possessing extensive tracts of tropical rainforest containing a wide range of species. However, only a small part of this forested area can be commercially exploited due to problems of accessibility. High wage costs and, until recently, the low prices paid for raw wood on the world market kept tree-felling and wood processing fairly subdued, but over the last few years the export restrictions introduced by some of the major wood-producing countries (see above) have led to a dramatic increase in international wood prices and given a boost to the Papua New Guinean timber industry. In 1992, the total volume of trees felled stood at 8,188 million m^3, around 5.53 million m^3 of which were felled for firewood and charcoal. The other 2.66 million m^3 or so were used as timber, 98% of which was earmarked for the export market. In 1993 again, virtually all of the approximately 2.7 million m^3 of raw wood produced (mainly by the 60 or so Malaysian enterprises operating in the country) was for export. In view of the much higher prices on the international market, this produced export earnings of over USD 400 million, pushing raw wood up into third place behind petroleum and gold and ahead of copper in the 1993 table of export products. The latest IMF and EIU estimates suggest that the volume of raw wood exported in 1994 rose to approximately 3 million m^3, pushing revenue up to around the USD 480 million mark and raising its share of total exports to 18%.

The main reason for this healthy trend is a rise in demand from Japan and Korea for wood from Papua New Guinea in order to make up for the shortfall in deliveries from other countries. This increase in the volume of raw wood exports from Papua New Guinea in 1993 and 1994 does, however, seem rather strange when one bears in mind the strict legal limits on exports of raw wood imposed by the government in July 1993 in order to stimulate domestic processing activity. All the available evidence would suggest that the government was not able to enforce this policy which clashed with the interests of the timber companies. There is a dire need in Papua New Guinea for effective controls over the power of the foreign timber companies, and the government's much-maligned policy on forestry and industry, which is also encountering increasing criticism within the country, needs to give top priority to developing the domestic timber industry.

The development of the forestry industry in the **Solomon Islands** since the beginning of the 1990s is the most glaring example of rampant economic expansion for which there is a heavy price to pay in ecological terms and which, in the longer-term, will backfire on the economic basis of the sector. By the mid-1980s, the volume of trees felled was already substantial (542 000 m^3 in 1985), but the decision taken in 1986 by the country's largest timber company to suspend its domestic operations led to annual timber output falling during the second half of the decade to below 450,000 m^3. The next upsurge in production came at the beginning of the 1990s as a result of rising world market prices and increased production capacity in the timber industry. By 1992, the volume felled was some 640,000 m^3, and in 1993 output was running at over 686,000 m^3. According to estimates produced by the national Ministry of Forestry, the 1994 figure was up again at 700,000 m^3, but even this might be an underestimate, as the World Bank, for example, has suggested that back in 1993 the figure was already nearer 750,000 m^3. As in the case of Papua New Guinea, the bulk of what is felled is exported in raw form and very little is processed domestically into sawn wood. Most of the raw wood goes to Japan, while modest amounts of sawn wood are delivered to Australia, New Zealand and the United Kingdom. As the production and export of wood has mushroomed, it has become far and away the country's largest foreign currency-earner, and is currently responsible for over half of the Solomon Islands' total export earnings (see Chapter 11).

While this trend has been extremely positive in economic terms, the long-term ecological consequences are frightening (see Chapter 16). The current logging rates are well in excess of the upper limit guaranteeing the preservation of forest resources. Given that very little effort has so far been made in terms of reforestation, the Solomon Islands would be completely cleared of forests within 15 to 20 years if logging were to continue at the present rate. Even more worrying is the fact that wood production by the companies established on the islands is actually far short of the figure they are contractually allowed to extract. Were they to fully exploit the 1.3 million m^3 per annum awarded to them under the licensing agreements, the Solomon Islands' forestry resources would be exhausted within 8 to 10 years.

Despite these facts, there has not as yet been any sign of government attempts to reduce the volume felled or restrict the granting of licences. Pressure from international donors did result in a brief moratorium on awarding forestry licences in 1993, but a further 15 short-term contracts were issued to timber companies at the start of 1994. Even the raising of export duties on raw wood announced in 1994 was reversed on 1 January 1995 when the new government seized power, and this will doubtless result in a further acceleration of logging activity as the timber companies capitalize on being able to work for even higher profit margins. It is quite apparent that despite the disastrous long-term consequences arising from the current rapid deforestation of the country, the government cannot bring itself to reduce logging activity, since it is the one overriding objective of its economic policy to specialize government revenue in the short term and achieve a balance of payments equilibrium by dint of the return flows of foreign currency accruing from the export of forestry products.

Forestry also plays an important role in the **Western Samoan** economy, even although excessive logging and the cyclones of the early-1990s have caused extensive damage to its productive forests. Despite these reverses, the FAO estimates that around 131,000 m^3 of trees were felled in Western Samoa in both 1992 and 1993. Since then, however, wood production should have fallen sharply as a result of the ban on wood exports imposed by the government. This step was taken so as not to expose the forest ecosystem to further intensive felling, given the battering it had already received. The FAO figure for 1993 might even be too high, as the World Bank, for example, has tree-felling down at 22,000 m^3.

The forestry sector in **Vanuatu** expanded considerably in the second half of the 1980s, with timber extraction rising by 34% from 47,000 m^3 in 1985 to 63,000 m^3 in 1993. In doing so, however, the logging rate soared well above the estimated maximum ecologically-tolerable limit of 40,000 m^3. The State has, therefore, subsequently undertaken efforts to reduce timber production, and in June 1994 the government banned the export of raw timber, restricted the annual felling rate to 25,000 m^3 and cut back on the number of felling licences granted. It also commissioned a study on the long-term sustainability of the annual volume of timber felled. The ban on raw wood exports was due to remain in force for 1995, with incentives being offered to the timber companies to set up wood processing plants. The upper limit of 25,000 m^3 for tree-felling was also to remain. In the meantime, the government has reached a new agreement with the Malaysian Parklane consortium, which has hitherto carried out the bulk of the timber extraction activities, guaranteeing the enterprise continued rights to tree-felling. This agreement was conditional upon a promise by the company to build a new sawmill on the island of Erromango. With the government of Vanuatu maintaining its restrictive policy on forestry, the export of raw wood is likely to fall sharply over the coming years. However, as efforts are made to expand wood-processing capacity, there should be a shift in the medium term towards the export of higher-value wood products manufactured on an ecologically tolerable basis.

SUMMARY

While this dynamic development of forestry in the Pacific ACP countries is certainly welcome from an economic point of view, the ecological sustainability of logging activity has already been reached in many countries. No one would argue that the recent expansion of forestry has brought higher foreign currency earnings and increased State revenue to some countries in the region, as well as creating new employment and income opportunities for the rural population, but this was almost always at the expense of devastating damage to the environment, the harmful effects of which in the long term will percolate through from the forestry sector to other sectors of the economy (tourism, agriculture). Already in recent years, some countries have been forced to reduce the rate of logging in order to stem the ruthless plunder of their native forests. There is an urgent need for a new strategy towards forestry which will veer away from the unrestrained exploitation of the existing forestry potential.

This new strategy for the Pacific countries should aim to maximize the economic utility of forestry without destroying the natural production bases, and the key components of this future policy should be to restrict tree-felling to a volume which guarantees the regeneration of these forests, to increase the value-added of raw wood by developing wood-processing industries, and to ensure a more equitable distribution of the income earned among all those involved in the timber trade. Only by fulfilling these conditions will forestry be able to mature into a sector with long-term - albeit fairly limited - prospects of growth in the Pacific island region. Indeed some countries may even have to live with a short-term slump in the economic importance of their forestry sector as ecological considerations dictate cutbacks in production activity.

FISHERIES

The rich fishing grounds of the Pacific contain great potential for the development of the fisheries sector in these countries. The abundance of fish in the area merely serves to highlight the fact that while around one-third of the world's total fish stocks are concentrated in this region, a substantial proportion of these have yet to be exploited. At present, however, there are a number of obstacles which need to be removed before the fishing potential of the Pacific ACP countries can be fully developed. As well as making an important contribution to overall economic growth, the expansion of fishing and fish-processing industries would create additional employment opportunities, raise export earnings and increase government revenue through the issue of fishing licences to foreign fishing fleets. Despite the limited use so far made of the available marine resources, the fisheries sector already plays a major part in the economies of the Pacific islands. Its reported share of total GDP, ranging from 10% in the Solomon Islands to 2% in Fiji, underestimates the actual contribution to value-added made by this sector, as the national accounts often pay scant regard to the importance of non-industrial and subsistence coastal fishing as a source of nutrition (protein) and additional income for large sections of the Pacific island population. In some countries, the export of fish and fish products now accounts for a sizeable chunk of the total export trade, as is the case in the Solomon Islands where 20% to 25% of the country's export earnings are derived from marine products. In so saying, it should be borne in mind that a substantial proportion of the fish exported has been caught by foreign deep-sea fishing fleets operating under licence in the exclusive economic zones (EEZ) or 200-mile zones of the Pacific states, while the native fishermen supply only very small quantities of marine products to international markets.

There is a strong dualistic structure to fishing in the Pacific countries. On the one hand, there is deep-sea fishing by high-technology, capital-intensive and mainly foreign-owned vessels which concentrate on catching tuna for the world market, as opposed to the labour-intensive non-industrial and subsistence coastal fisheries which specialize in reef- and lagoon-dwelling species of fish and are carried out by the indigenous population without any great capital basis.

Deep-sea fishing in the territorial waters of the Pacific countries is mainly the preserve of Japanese, Taiwanese, Korean, American and Chinese fishing vessels which pay licence fees to catch mainly tuna for the fresh fish markets of Japan and, more recently, the United States and Europe. The deep-sea fishing industry also provides a limited amount of tuna for processing in local canneries. There are at present serious flaws in the deep-sea fishing set-up, which need to be corrected by speedy action on the part of the Pacific countries. While there is as yet no indication of the tuna stocks being overfished, it is thought that catches are being seriously underestimated and that there is a great deal of illegal fishing. On top of this, the fishing methods currently employed and the overemphasis on tuna mean that there is a substantial by-catch of other fish species which are thrown back into the sea. According to World Bank estimates, the open access fishing policy currently being pursued will, sooner or later, have serious consequences in terms of damage to the Pacific's fish stocks - a problem merely compounded by the fact that there is no effective surveillance of the fishing grounds.

A further problem is the fact that the Pacific islands have little involvement in deep-sea fishing. This is carried out almost exlusively by foreign fishing nations which have been fishing these waters for over two decades without ever developing any local fish-processing industries to process the raw fish caught. As a result, it was left to the individual islands to construct their own fish-processing plants, usually at great expense via State investment. Even then, the processing capacity developed is fairly limited. Given these circumstances, the lion's share of the income earned by the Pacific countries from fishing is in the form of revenue from the issue of fishing licences. The key question regarding the future is how they are to go about increasing their earnings from their vast fishery resources. Purchasing their own fishing vessels and establishing their own landing facilities, refrigeration chains and fish factories has been ruled out as a strategy, since this is a hugely expensive undertaking which cannot be borne either by public finance or by local private investors. This can be illustrated by the following examples: the World Bank has calculated that the cost of building a tuna-canning plant would swallow up around 44% of Kiribati's GDP, 20% of Tonga's or Western Samoa's and a good 16% of Vanuatu's total value-added. Even the purchase of fishing vessels is a very expensive business, costing up to 7% of GDP and involving high opportunity costs, especially when one bears in mind that investment in fisheries is a high-risk venture due to keen international competition. As an indicator of just how difficult the market situation is, one need only look at the fish-canning factories of Thailand and Indonesia, which are running at a loss despite their extremely low labour costs. Another general difficulty hampering the establishment of processing plants is the shortage of fresh water, energy and labour. One of the options still open to the Pacific countries is to enter into joint ventures with foreign private enterprises which have expressed an interest in investing in local fish processing. For this to happen, however, the climate for investment needs to be improved. Another avenue worth exploring is to get private companies involved in the existing plants, which are often run at a considerable loss by State organizations, thus allowing the State to gradually withdraw from the heavily-subsidized fish-processing sector in the medium term through the issue of call options to private enterpreneurs.

The system governing fishing licences is also in need of review. While the licence fees paid by foreign fishing fleets vary enormously, they are generally too low. The price bracket ranges from 10% of the sales value of catches for the United States, to 5% for Japanese vessels and just 3.7 and 2.2% for Taiwanese and South Korean vessels respectively. On average, therefore, the Pacific countries receive a mere 4.4% of the total sales value in the form of licence fees. The World Bank is convinced that if the existing system of almost entirely bilateral fishing agreements were to be replaced by a common scheme for determining licence fees for deep-sea fishing, the Pacific countries could negotiate a much higher percentage without threatening the foreign fishing fleets' profitability.

In view of the existing flaws and imbalances in the field of deep-sea fishing, the World Bank is recommending that the Pacific Islands switch over to a multilateral strategy for fisheries management. The key components of this 'Fisheries management regime' (FMR) would have to be:

(i) a survey of the available fisheries resources and satellite monitoring and control of fish stocks and the catches made by foreign fishing fleets;

(ii) an assessment of the environmental effects of longline tuna fishing on the coastal lagoons and the fish stocks living there;

(iii) the introduction of a policy of limited access for foreign fishing vessels by granting no new licences, establishing upper limits on catches for the whole of the exclusive economic zone and imposing fishing quotas on individual vessels;

(iv) the drafting of common fishing regulations, including the compilation of a list of sanctions to be applied against breaches of existing fishing agreements;

(v) encouraging foreign investment in downstream processing plants by setting up special incentive schemes;

(vi) if possible, persuading a number of Pacific countries to jointly finance their own fishing fleet and fish factories. This would involve the design of an income distribution key in order to guarantee that each country involved would profit in accordance with their financial contribution and the size of their fishery resources.

Who better than the Forum Fisheries Agency (FFA) to implement this multilateral fisheries strategy? Founded in 1979 and bringing together sixteen countries in the region (including all the Pacific ACP countries), it was given the task of controlling the exploitation of the deep-sea fishing grounds in the South Pacific. The first indications of a gradual move by the Pacific countries towards a multilateral fisheries policy have come since the 1994 summit of the South Pacific Forum in Brisbane. During this summit meeting, the member states declared their intention to enlist the help of the FFA in negotiating multilateral fishing agreements on more favourable terms than in the past.

While **coastal fishing** is mainly carried out by local fishermen for their own consumption, some of the fish caught in coastal waters are also supplied to the growing towns and the rising number of tourists. Some other products of coastal fishing, such as dried sea cucumbers, mussels, pearls and ornamental fish, are harvested for export markets. In some countries (e.g. Fiji), the coastal catches are greater than those from deep-sea fishing. The importance of coastal fishing in feeding the local population is clear when one considers that 99% of households living by the coast in Kiribati, for example, catch fish for their own consumption, as do 83% of those in the Solomon Islands.

Coastal fishing in the Pacific island archipelagos has been threatened for some years now with the gradual destruction of its very means of existence. The growing demand for fresh fish from urban consumers and foreign holidaymakers has already led to some overfishing. Another problem is that rising pollution of the coastal waters endangers the existence of many species of fish. The contamination of coral reefs and lagoons by discharges of industrial and urban waste and increased sedimentation caused by the felling of coastal forests are two of the main factors threatening the existence of coastal fishing. One particularly serious case of damage to the coastal waters has been recorded off the island of Upola in Western Samoa, where fish catches have collapsed as pollution has degraded the waters near urban areas. The associated economic losses have been estimated at approximately USD 170 per year per hectare. This example rings a clear warning that urgent action is also required in the field of coastal fishing. Protection of the coastal waters needs to be elevated into an issue of national priority in all the Pacific countries in order to forestall lasting damage to the fishing industry. The preservation of their beaches is also an absolute necessity from the point of view of tourism. Here too, a joint strategy adopted by all the Pacific countries might meet with more success than fragmented individual national efforts.

Despite these common characteristics and problems, the importance of fisheries to the Pacific island economies varies considerably from one country to the next.

Fiji has enormous fishing potential which has remained largely untapped. Between 1989 and 1993, the volume of fish caught in Fijian waters ranged from 30-35,000 t per year (see Table 3.8). More of these were caught by coastal fishermen (mainly for their own consumption) than by the commercial deep-sea sector. The tuna fish catches by the predominantly foreign deep-sea fishing fleets are delivered to the partly State-owned Pacific fishing company (PAFCO), which has a cannery in Levuka. The fish processed there is mainly destined for the EU market and accounts for the lion's share of fish exports. Fish and fish products are still the country's fourth- or fifth-largest export product, accounting for around 5% of total exports. In view of the available fish stocks, it would be possible to expand the size of the catch and thus raise the level of export-oriented processing activity. This would, admittedly, involve substantial investment beyond the means of domestic sources, and for fisheries to develop into a future growth sector, Fiji will need to rely on foreign investment.

With a 200-mile zone encompassing over 3.5 million km² of ocean, **Kiribati** has one of the largest fishing areas in the world. This makes it all the more surprising that the total catch likewise only amounts to some 30-35,000 t and has even been on the way down since 1989. Most of the catch goes to Japanese and South Korean vessels, although US boats have also been fishing these territorial waters since the 1988 FFA fishing agreement. The Kiribati national fishing company only nets a small part of the total and, despite getting off to a promising start, falling catches mean that it is now running at a loss. In contrast to most of the other Pacific ACP countries, the fees earned from fishing licences are a key source of government revenue. Because of the total inadequacy of the country's harbour facilities and processing plants, virtually all of the deep-sea catch is exported in the form of raw fish by the foreign fleets. As a result, Kiribati derives no income to speak of from its fisheries sector, other than from licence fees. The development of a domestic fishing industry is hampered not just by a lack of capital, but also by the insufficient supply of fresh water and energy (for refrigeration plants) and a shortage of labour. The United Kingdom has recently made 2.3 million UKL available to Kiribati for the construction of new fish-landing facilities in Betio Harbour, and another positive development is the gradual upturn in the export of lobsters to Honolulu and of milkfish to Nauru.

Papua New Guinea also has vast fishing grounds which are home to around 15% of the world's total stocks of tuna fish. The long-term sustainable catch has been estimated at 100,000 t of tuna per year, which is around four times the amount currently caught within the 200-mile zone. This clearly illustrates the potential for expansion in Papua New Guinea's fishing industry. The export of fish and fish products has not as yet made any great contribution to the export total, and during the mining boom of the last few years its share has even slipped below the 1% mark. On top of this, these fish exports have to compete with sometimes substantial fish imports. Despite its enormous fishing potential, approximately half of the fish consumed in the country, primarily (tinned) mackerel, has to be imported. There are, however, signs of a reduction in this reliance upon imports, as one mackerel factory started production in 1994 and a second plant is shortly due to become operational. Furthermore, work started in December 1993 on the construction of a tuna factory in Madang, which should have a fish-processing capacity of 50 000 t and will start production in 1995. With these facilities, the country does at least now have the means of multiplying its future fish exports and adding a third key component to its export trade alongside the traditional mining and agricultural exports.

The fish catch in the **Solomon Islands** is the highest of the eight ACP countries, despite fluctuating considerably from year to year. As in the case of Papua New Guinea, the quantities caught are still well below the 120,000 t mark, which is the threshold for overfishing. Even the record catch of 1991, when total fish output reached around 69,000 t, came nowhere near to exhausting the country's potential. In 1992 (47,015 t) and 1993

(45,406 t), catches fell sharply as a result of higher water temperatures. Although a number of foreign fishing fleets fish the waters of the Solomon Islands for tuna, the income from fishing licences makes a fairly insignificant contribution to the economy as a whole. Export-oriented fishing, on the other hand, is very important, one of the major roles here being played by Solomon Taiyo limited (STL), a company which produces tinned tuna in Noro and sells it to Japan. All in all, fish and fish products are the country's second-largest export product, accounting for between 20 and 25% of its export earnings. There is also considerable potential for expanding fisheries in the Solomon Islands, the result of which could stimulate the national economy and make up for the export losses anticipated when urgently-required restraints are placed upon the timber industry. In the meantime, the ADB has been asked by the national authorities to monitor and assess the whole of the country's fisheries sector, so that a new fisheries strategy can be drawn up on this basis.

The volume of fish catches in the other four Pacific countries is significantly lower. In **Western Samoa**, fish output has fallen dramatically since the mid-1980s as a result of overfishing in its coastal waters (see above). This, in conjunction with Cyclone Ofa, which destroyed half of the Western Samoan fishing fleet, was responsible for the record low catch of 565 t in 1991. Since then, the reconstruction of the fishing fleet and better management of marine resources have produced a gradual recovery, although the 1993 figure of 1,608 t was still below the pre-cyclone level of 1 890 t in 1989. The development potential for Western Samoa's fishing industry seems fairly limited, given its comparatively small 200-mile zone, its lack of a deep-sea fleet, its past history of overfishing its own stocks and competition from the tuna processing plants which have long been operational in neighbouring American Samoa.

While the figures returned by **Tonga** are equally low, the situation there is quite different from that in Western Samoa. According to some estimates, Tonga has a potential tuna catch of around 18-20,000 t, i.e. ten times the present figure. If this potential were to be realized, fish exports would rocket from their current 8-10% of the total to become one of the country's dominant export products. The government is well aware of the future importance of fisheries to the economy, and attempts have been made since the early 1990s to stimulate investment in fisheries by introducing five-year income tax exemption schemes. Japan and the United States are providing financial support to develop fishery resources, with Japan funding an aquaculture project and the United States providing resources for research into the potential for small-scale fishing activities.

Despite its 200-mile zone which covers an ocean area of 900,000 km^2, **Tuvalu's** fish catches amount to a mere 500-1,500 t per annum. In view of the available potential, fish production and exports could make a much greater contribution to value-added and total exports.

In **Vanuatu**, fish catches have fallen sharply since 1990 (5,635 t) and did not even reach the 3,000 t mark in 1992 and 1993. Here too, the importance of fishing to the economy is way below what it could be, given the resources available. At present, exports of tuna fish can be counted in just hundreds of tonnes, thereby making little impression on the country's export base. Small-scale coastal fishing has enjoyed more success in the recent past, as EU and FAO-financed programmes have led to higher catches.

SUMMARY

The Pacific ACP countries possess rich, and still largely untapped, fishery resources, the development of which could be a major generator of economic growth. This is, however, dependent upon the implementation of a comprehensive multilateral fisheries strategy which would enable the island nations to derive much greater benefit than before from their own fishing resources, and would guarantee effective surveillance and protection of their fish stocks. Cooperation between these countries in the field of fisheries policy could also prove to be a test case for the future multilateral cooperation urgently required in other sectors of the economy, as it would allow these small and weak individual States to put forward and defend their vital interests against larger regional powers or economic blocks from beyond the Pacific Ocean.

3.1 LAND USE 1993

Country	Arable land	Permanent crops	Permanent meadows and pastures 1)	Forested areas	Other surface area
		1 000 ha			
Fiji	180	80	175	1 185	207
Kiribati	-	37	-	2	42
Papua New Guinea	40	375	80	42 000	3 789
Western Samoa	55	67	1	134	26
Solomon Islands	40	17	39	2 450	291
Tonga	17	31	4	8	18
Tuvalu	-	-	-	-	2
Vanuatu	20	124	25	914	136
		% of total area			
Fiji	9.9	4.4	9.6	64.8	11.3
Kiribati	-	45.6	-	2.5	51.9
Papua New Guinea	0.1	0.8	0.2	90.7	8.2
Western Samoa	19.4	23.7	0.4	47.3	9.2
Solomon Islands	1.4	0.6	1.4	86.4	10.3
Tonga	21.8	39.7	5.1	10.3	23.1
Tuvalu	-	-	-	-	100.0
Vanuatu	1.6	10.2	2.1	75.0	11.2

1) As defined by the FAO, Rome. Depending on weather conditions, includes areas used only on an occasional basis.

3.2 MACHINES AND EQUIPMENT*)

Country	Tractors		Tractors per 1 000 ha of arable land and permanent crops	
	1985	1993	1985	1993
Fiji	4 400	7 100	18.3	27.3
Kiribati	17	18	0.5 1)	0.5 1)
Papua New Guinea	1 180	1 140	3.0	2.7
Western Samoa	32	76	0.3	0.6
Tonga	115	115	2.4	2.4
Tuvalu	1	1	.	.
Vanuatu	58	75	0.4	0.5

*) As at year end.
1) Tractors per 1 000 ha of permanent crops.

3.3 USE OF FERTILIZERS 1993*)

Country	Total	of which			Consumption per ha 1)
		Nitrogen (N)	Phosphate (P_2O_5)	Potash(K_2O)	
	t nutrient content				kg nutrient content
Fiji	13 100	8 500	2 500	2 100	53.8
Papua New Guinea	12 800	8 000	2 500	2 300	25.8

*) Crop year ending in June of the year indicated.
1) Referred to arable land and permanent crops. 1992.

3.4 CULTIVATED AREAS, YIELD AND HARVEST VOLUMES FOR THE MAIN AGRICULTURAL PRODUCTS

Survey item	Unit	1979/81 av	1985	1992	1993	1994
			Fiji			
Cereals, total						
Area	1 000 ha	10	12	11	10	16
Yield	dt/ha	*20.0*	*24.1*	*21.4*	*21.2*	*20.0*
Harvest volume	1 000 t	19	29	24	22	32

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3.4 CULTIVATED AREAS, YIELD AND HARVEST VOLUMES FOR THE MAIN AGRICULTURAL PRODUCTS (continued)

Survey item	Unit	1979/81 av	1985	1992	1993	1994
			Fiji (continued)			
Rice, unhulled						
Area	1 000 ha	9	12	10	9	*15*
Yield	dt/ha	*20.2*	*23.7*	*21.5*	*21.3*	*20.0*
Harvest volume .	1 000 t	18	28	22	20	30
Root and tuber plants						
Area	1 000 ha	2	10	5	5	5
Yield	dt/ha	*116.3*	*80.6*	*140.1*	*139.8*	*138.8*
Harvest volume	1 000 t	22	80	64	64	64
Manioc						
Area	1 000 ha	1	4	2	2	2
Yield	dt/ha	*186.7*	*120.0*	*181.8*	*181.8*	*181.8*
Harvest volume .	1 000 t	10	49	40	40	40
Pulses						
Area	1 000 ha	.	.	1	1	1
Yield	dt/ha	*5.4*	*16.6*	*12.0*	*12.0*	*12.5*
Harvest volume	1 000 t	.	1	1	1	1
Coconuts						
Harvest volume	1 000 t	217	215	244	200	201
Copra						
Harvest volume	1 000 t	22	21	16	11	13
Vegetables[1]						
Harvest volume	1 000 t	6	10	12	13	13
Gourds						
Yield	dt/ha	*146.7*	.	*71.4*	*72.2*	72.2
Sugar cane						
Area	1 000 ha	65	71	73	74	.
Yield	dt/ha	*586.7*	*428.5*	*484.0*	*500.0*	.
Harvest volume	1 000 t	3 785	3 042	3 533	3 703	4 064
Raw sugar[3]						
Harvest volume	1 000 t	446	341	426	442	517
Fruit[2]						
Harvest volume	1 000 t	11	16	10	12	12
Cocoa						
Harvest volume	1 000 t	5.2	1.9	6.5	2.1	2.1
Ginger						
Harvest volume	1 000 t	.	.	3.4	2.9	.

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3.4 CULTIVATED AREAS, YIELD AND HARVEST VOLUMES FOR THE MAIN AGRICULTURAL PRODUCTS (continued)

Survey item	Unit	1979/81 av	1985	1992	1993	1994
			Kiribati			
Root and tuber plants						
Area	1 000 ha	1	1	1	1	1
Yield	dt/ha	*80.1*	*89.7*	*78.4*	*78.1*	*78.1*
Harvest volume	1 000 t	9	13	8	8	8
Coconuts						
Harvest volume	1 000 t	72	90	73	65	65
Copra						
Harvest volume	1 000 t	9	12	10	8	8
Vegetables[1)]						
Harvest volume	1 000 t	4	5	5	5	5
Fruit[2)]						
Harvest volume	1 000 t	5	5	5	5	5
Bananas						
Harvest volume	1 000 t	4	4	4	4	4
			Papua New Guinea			
Cereals, total						
Area	1 000 ha	2	2	2	2	2
Yield	dt/ha	*20.9*	*15.5*	*16.5*	*17.3*	*16.9*
Harvest volume	1 000 t	4	3	3	3	3
Root and tuber plants						
Area	1 000 ha	159	168	177	179	181
Yield	dt/ha	*70.9*	*69.8*	*72.3*	*72.0*	*72.1*
Harvest volume	1 000 t	1 125	1 172	1 282	1 291	1 303
Sweet potatoes						
Area	1 000 ha	93	103	105	106	107
Yield	dt/ha	*45.1*	*45.5*	*45.3*	*45.3*	*45.3*
Harvest volume	1 000 t	421	469	475	480	484
Manioc						
Area	1 000 ha	10	10	11	11	11
Yield	dt/ha	*102.8*	*106.2*	*106.6*	*105.6*	*106.2*
Harvest volume	1 000 t	99	103	113	113	114
Yams						
Area	1 000 ha	11	11	12	13	13
Yield	dt/ha	*162.0*	*150.9*	*178.5*	*176.0*	*177.6*
Harvest volume	1 000 t	176	172	220	220	224

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3.4 CULTIVATED AREAS, YIELD AND HARVEST VOLUMES FOR THE MAIN AGRICULTURAL PRODUCTS (continued)

Survey item	Unit	1979/81 av	1985	1992	1993	1994
		Papua New Guinea (continued)				
Taro						
Area	1 000 ha	30	28	32	33	33
Yield	dt/ha	*66.9*	*66.9*	*67.4*	*67.1*	*66.9*
Harvest volume	1 000 t	198	184	217	218	220
Pulses						
Area	1 000 ha	3	4	4	4	5
Yield	dt/ha	*5.0*	*5.0*	*5.1*	*5.2*	*5.1*
Harvest volume	1 000 t	2	2	2	2	2
Coconuts						
Harvest volume	1 000 t	835	1 017	794	790	790
Copra						
Harvest volume	1 000 t	145	176	117	126	100
Palm kernels						
Harvest volume	1 000 t	12	51	57	61	66
Vegetables[1)]						
Harvest volume	1 000 t	286	270	370	376	383
Gourds						
Yield	dt/ha	*15.6*	*21.7*	*20.0*	*20.0*	*21.4*
Harvest volume	1 000 t	.	53	90	100	.
Sugar cane						
Area	1 000 ha	1	1	6	6	6
Yield	dt/ha	*400.0*	*692.9*	*603.5*	*557.4*	*500.0*
Harvest volume	1 000 t	41	97	350	340	300
Raw sugar[3)]						
Harvest volume	1 000 t	4	10	35	43	43
Fruit[2)]						
Harvest volume	1 000 t	1 327	1 089	1 743	1 779	1 833
Bananas						
Harvest volume	1 000 t	904	940	1 250	1 280	1 329
Coffee, green						
Area	1 000 ha	40	46	46	46	47
Yield	dt/ha	*12.8*	*10.3*	*11.0*	*13.4*	*14.0*
Harvest volume	1 000 t	51	47	50	62	66

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3.4 CULTIVATED AREAS, YIELD AND HARVEST VOLUMES FOR THE MAIN AGRICULTURAL PRODUCTS (continued)

Survey item	Unit	1979/81 av	1985	1992	1993	1994
		Papua New Guinea (continued)				
Cocoa						
Area	1 000 ha	78	87	89	89	90
Yield	dt/ha	*3.9*	*3.7*	*4.6*	*4.2*	*3.0*
Harvest volume	1 000 t	30	32	41	37	27
Tea						
Area	1 000 ha	3	4	4	5	5
Yield	dt/ha	*25.3*	*22.5*	*20.2*	*18.9*	*18.5*
Harvest volume	1 000 t	8	9	9	9	9
Rubber						
Harvest volume	1 000 t	4	4	3	3	3
		Solomon Islands				
Cereals, total						
Area	1 000 ha	4	2	.	.	.
Yield	dt/ha	*35.1*	*27.4*	.	.	.
Harvest volume	1 000 t	13	6	.	.	.
Root and tuber plants						
Area	1 000 ha	6	6	6	6	6
Yield	dt/ha	*150.4*	*157.0*	*181.4*	*176.3*	*179.0*
Harvest volume	1 000 t	87	92	112	107	110
Sweet potatoes						
Area	1 000 ha	4	4	4	4	4
Yield	dt/ha	*123.1*	*125.0*	*136.7*	*133.3*	*147.6*
Harvest volume	1 000 t	49	50	59	52	62
Taro						
Area	1 000 ha	1	1	1	1	1
Yield	dt/ha	*177.3*	*197.3*	*221.5*	*216.7*	*222.5*
Harvest volume	1 000 t	19	22	29	26	27
Pulses						
Area	1 000 ha	2	2	2	2	2
Yield	dt/ha	*8.4*	*10.5*	*12.5*	*10.0*	*10.0*
Harvest volume	1 000 t	2	2	3	2	2
Coconuts						
Harvest volume	1 000 t	228	209	208	210	220

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3.4 CULTIVATED AREAS, YIELD AND HARVEST VOLUMES FOR THE MAIN AGRICULTURAL PRODUCTS (continued)

Survey item	Unit	1979/81 av	1985	1992	1993	1994
		Solomon Islands (continued)				
Copra						
Harvest volume	1 000 t	32	42	29	30	31
Palm kernels						
Harvest volume	1 000	3	4	7	6	6
Vegetables[1)]						
Harvest volume	1 000 t	5	5	6	6	6
Fruit[2)]						
Harvest volume	1 000 t	11	13	16	14	14
Cocoa						
Area	1 000 ha	1	2	2	2	.
Yield	dt/ha	*7.3*	*11.5*	*13.7*	*20.0*	.
Harvest volume	1 000 t	.	2	2	3	3
		Western Samoa				
Root and tuber plants						
Area	1 000 ha	6	6	7	7	7
Yield	dt/ha	*69.3*	*71.3*	*58.5*	*61.6*	*61.5*
Harvest volume	1 000 t	39	43	39	41	41
Taro						
Area	1 000 ha	5	5	6	6	.
Yield	dt/ha	*68.3*	*70.2*	*58.3*	*61.5*	.
Harvest volume .	1 000 t	35	38	35	37	.
Coconuts						
Harvest volume	1 000 t	169	248	100	130	130
Copra						
Harvest volume	1 000 t	20	25	11	11	11
Fruit[2)]						
Harvest volume	1 000 t	53	57	43	43	43
Bananas						
Harvest volume .	1 000 t	21	22	12	10	10
Papayas						
Harvest volume .	1 000 t	11	11	9	10	10
Cocoa						
Area	1 000 ha	6	5	3	3	3
Yield	1 000 t	*2.8*	*2.4*	*1.3*	*1.3*	*1.3*
Harvest volume	1 000 t	2	1	.	.	.

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3.4 CULTIVATED AREAS, YIELD AND HARVEST VOLUMES FOR THE MAIN AGRICULTURAL PRODUCTS (continued)

Survey item	Unit	1979/81 av	1985	1992	1993	1994
			Tonga			
Root and tuber plants						
Area	1 000 ha	15	15	15	15	15
Yield	dt/ha	*59.7*	*67.6*	*67.5*	*66.8*	*66.5*
Harvest volume	1 000 t	91	98	102	101	102
Manioc						
Area	1 000 ha	2	1	2	2	2
Yield	dt/ha	*63.5*	*150.0*	*137.4*	*133.3*	*141.0*
Harvest volume	1 000 t	14	17	29	28	30
Yams						
Area	1 000 ha	2	3	2	2	2
Yield	dt/ha	*136.2*	*133.5*	*145.6*	*147.6*	*129.2*
Harvest volume	1 000 t	34	35	31	31	31
Taro						
Area	1 000 ha	4	4	4	4	4
Yield	dt/ha	*67.7*	*68.3*	*65.0*	*64.8*	*64.8*
Harvest volume	1 000 t	29	30	27	27	27
Coconuts						
Harvest volume	1 000 t	93	53	25	25	25
Copra						
Harvest volume	1 000 t	11	6	2	2	2
Vegetables 1)						
Harvest volume	1 000 t	7	7	8	8	8
Fruit 2)						
Harvest volume	1 000 t	14	12	15	13	13
Bananas 4)						
Harvest volume	1 000 t	7	7	7	5	5
Coffee, green						
Yield	dt/ha	.	*33.3*	*35.7*	*33.8*	*34.0*
			Tuvalu			
Coconuts						
Harvest volume	1 000 t	5	3	3	2	2
Fruit 2)						
Harvest volume	1 000 t	.	.	1	1	1

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3.4 CULTIVATED AREAS, YIELD AND HARVEST VOLUMES FOR THE MAIN AGRICULTURAL PRODUCTS (continued)

Survey item	Unit	1979/81 av	1985	1992	1993	1994
			Vanuatu			
Cereals, total						
Area	1 000 ha	1	1	1	1	1
Yield	dt/ha	*5.1*	*5.2*	*5.1*	*5.1*	*5.2*
Harvest volume	1 000 t	1	1	1	1	1
Root and tuber plants						
Area	1 000 ha	2	2	5	5	5
Yield	dt/ha	*196.3*	*200.0*	*99.2*	*99.4*	*95.0*
Harvest volume	1 000 t	32	30	50	50	51
Coconuts						
Harvest volume	1 000 t	326	322	260	259	259
Copra						
Harvest volume	1 000 t	43	39	27	28	30
Vegetables[1]						
Harvest volume	1 000 t	6	7	8	8	8
Fruit[2]						
Harvest volume	1 000 t	11	6	18	19	20
Bananas						
Harvest volume	1 000 t	6	1	12	13	13
Coffee, green						
Yield	dt/ha	*3.6*	*3.4*	*4.6*	*4.6*	*4.6*
Cocoa						
Area	1 000 ha	3	3	4	4	4
Yield	dt/ha	*3.2*	*3.9*	*3.7*	*5.4*	*5.5*
Harvest volume	1 000 t	1	1	1	2	2
Kava, dried[5]						
Harvest volume	1 000 t	.	.	63	44	.

1) Including melons
2) Excluding melons
3) Raw sugar, centrifuged (gross)
4) Including plantains
5) Volume exported

3.5 LIVESTOCK POPULATION AND SLAUGHTERINGS
1 000

Country	Livestock					
	Horses		Cattle		of which: dairy cows	
	1985	1993	1985	1993	1985	1993
Fiji	41	43	158	295	28	37
Papua New Guinea	1	2	123	105	1	2
Solomon Islands	.	.	20	12	2	2
Western Samoa	3	3	27	25	1	1
Tonga	9	11	8	10	.	.
Vanuatu	1	3	100	128	10	11

Country	Livestock					
	Pigs		Goats		Poultry 1)	
	1985	1993	1985	1993	1985	1993
Fiji	29	95	59	190	2	3
Kiribati	10	9	.	.	.	.
Papua New Guinea	1 480	1 022	16	2	2	3
Solomon Islands	49	54	.	.	.	.
Western Samoa	62	178	.	.	1	.
Tonga	65	94	11	16	.	.
Tuvalu	9	13	.	.	.	.
Vanuatu	73	59	11	11	.	.

Country	Slaughterings					
	Cattle and calves		Pigs		Goats	
	1985	1993	1985	1993	1985	1993
Fiji	15	59	25	76	22	65
Kiribati	.	.	6	16	.	.
Papua New Guinea	14	16	840	930	4	1
Solomon Islands	4	2	28	45	.	.
Western Samoa	4	6	47	103	.	.
Tonga	1	1	36	34	2	2
Tuvalu	.	.	1	3	.	.
Vanuatu	22	17	65	49	3	2

1) Millions.

3.6 PRODUCTION OF SELECTED ANIMAL PRODUCTS

Country	Beef and veal		Pork		Poultrymeat		Cow's milk	
	1985	1993	1985	1993	1985	1993	1985	1993
	1 000 t							
Fiji	3	12	1	3	4	6	48	63
Kiribati	.	.	.	1	.	.	.	.
Papua New Guinea	2	2	25	28	3	5	.	.
Solomon Islands	1	1 1)	1	2 1)	.	.	1	1
Western Samoa	1	1	1	4	.	.	1	1
Tonga	.	.	1	1	.	.	.	.
Vanuatu	4	3	2	3	.	.	2	3

Country	Hen's eggs		Honey		Cattle and buffalo hides, fresh		Goat skins, fresh	
	1985	1993	1985	1993	1985	1993	1985	1993
	1 000 t		t					
Fiji	2 308	2 800	25	50	4 530	1 652	55	130
Kiribati	116	130	.	.	.	.	.	.
Papua New Guinea	2 430	3 450	.	100	348	395	11	2
Solomon Islands	288	280	.	.	106	53	.	.
Western Samoa	170	200	360	360	110	177	.	.
Tonga	400	260	19	16	33	40	6	5
Tuvalu	15	12	.	1	.	.	.	.
Vanuatu	248	280	.	.	560	520	6	5

1) 1992.

3.7 TIMBER-FELLING
1 000 m^3

Country	Total	of which Industrial timber	Total	of which Industrial timber	Total	of which Industrial timber
	1985		1992		1993	
Fiji	249	212	307	270	307	270
Papua New Guinea	7 629	2 096	8 188	2 655	8 188	2 655
Solomon Islands	542	420	640	.	686 1)	.
Western Samoa	131	61	131	61	131	61
Tonga	4	4	5	5	5	5
Vanuatu	47	23	63	39	63	39

1) 1994: 700 000 m^3.

3.8 TOTAL CATCHES
Tonnes

Country	1989	1990	1991	1992	1993
Fiji	32 791	35 048	31 094	31 351	31 399
Kiribati	34 064	29 417	29 639	30 535	29 295
Papua New Guinea	26 031	26 580	25 330	25 700	26 000
Solomon Islands	57 008	54 766	69 292	47 015	45 406
Western Samoa	1 890	595	565	1 298	1 608
Tonga	2 691	1 656	1 959	2 283	2 481
Tuvalu	519	518	526	499	1 460
Vanuatu	3 340	5 635	3 508	2 726	2 925

4. INDUSTRY

4.1 INSTALLED CAPACITY OF POWER STATIONS, GENERATION AND CONSUMPTION OF ELECTRICITY

Country	Installed capacity			Electricity generation			Electricity consumption per capita		
	1980	1985	1992	1980	1985	1992	1980	1985	1992
	MW			Mio kWh			kWh		
Fiji	113	202	200	310	395	477[1]	492	571	645[2]
Kiribati	2	2	2	5	6	7	86	92	95
Papua New Guinea	313	491	490	1 252	1 545	1 790	387	440	441
Solomon Islands	13	17	19	39	42	48	248	256	304
Western Samoa	12	13	12	21	29	30	91	107	88
Tonga	6	6	7	10	12	27	104	109	278
Vanuatu	10	11	11	20	25	29[3]	169	175	185[4]

1) 1993: 480 Mio kWh.
2) 1993: 632 kWh.
3) 1993: 30 Mio kWh.
4) 1993: 186 kWh.

4.2 CONSUMPTION OF SELECTED PETROLEUM PRODUCTS IN 1992
kg per head of population

Country	Petrol	Petroleum (kerosene)	Heating oil		Liquid petroleum gas
			light	heavy	
Fiji	61	20	169	7	11
Kiribati	14	.	68	.	.
Papua New Guinea	21	6	77	67	1
Solomon Islands	95	44	127	.	.
Western Samoa	23	6	117	.	3
Tonga	93	21	175	.	10
Vanuatu	25	6	96	0	.

4.3 MINING PRODUCTS, MINING AND QUARRYING

Survey item	Unit	1990	1991	1992	1993	1994
Fiji						
Gold ore (Au content)..........	kg	4 116	2 810	3 693	3 815	3 000
Silver ore (Ag content)........	kg	775	485	1 255	1 112	.
Papua New Guinea						
Copper ore (Cu content).....	1 000 t	170.2	204.5	193.4	203.9	206.4
Gold ore (Au content)..........	t	34.3	60.8	71.2	60.6	60.0
Silver ore (Ag content)........	t	114.5	124.5	95.5	96.1	77.8
Petroleum...........................	1 000 t	.	.	2 831	2 806	.
Natural gas.........................	Mio m^3	.	.	60	80	.
Solomon Islands						
Gold ore (Au content)..........	kg	53	50	39	.	.
Silver ore (Ag content)........	kg	5	2	2	.	.

4.4 PRODUCTION OF SELECTED PRODUCTS OF MANUFACTURING INDUSTRY

Survey	Unit	1989	1990	1991	1992	1993
Fiji						
Cement	1 000 t	58	78	79	84	80
Lumber	1 000 m^3	94	94	91	91	.
from broad-leaved trees....	1 000 m^3	53	53	51	51	51
Veneer logs	1 000 m^3	11	11	10	10	.
Plywood	1 000 m^3	6	6	6	6	.
Soap	1 000 t	6	7	7	7	7
Butter	1 000 t	1.4	1.2	1.5	1.5	1.6
Coconut oil	1 000 t	7.6	11.6	8.8	9.2	6.5
Wheatmeal	1 000 t	28	25	26	28	.
Fish products and preparations	1 000 t	7.2	6.5	5.7	5.2	14.3
Beer	1 000 hl	175	194	183	.	.
Cigarettes	Mio	505	531	514	650	.
Kiribati						
Coconut oil	1 000 t	0.6	0.6	0.6	0.6	1.7

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4.4 PRODUCTION OF SELECTED PRODUCTS OF MANUFACTURING INDUSTRY
(continued)

Survey	Unit	1989	1990	1991	1992	1993
Papua New Guinea						
Lumber	1 000 m^3	117	117	117	117	.
from broad-leaved trees	1.000 m^3	74	74	74	74	74
Veneer logs	1 000 m^3	20	33	33	33	.
Plywood	1 000 m^3	9	13	13	13	.
Coconut oil	1 000 t	41.1	36.4	27.1	46.2	44.9
Palm oil	1 000 t	133	142	167	202	242[1)]
Solomon Islands						
Lumber	1 000 m^3	16	16	16	16	16
Coconut oil	1 000 t	0	3.0	2.7	4.9	5.0
Palm oil	1 000 t	20.1	23.1	22.5	28.8	25.6
Fish - fresh, chilled or frozen	1 000 t	27.9	17.1	37.6	27.8	28.0
Fish products and preparations	1 000 t	2.4	6.1	6.2	6.3	6.3
Western Samoa						
Lumber	1 000 m^3	21	21	21	21	.
Coconut oil	1 000 t	11.8	8.6	4.5	6.6	4.0
Tonga						
Lumber	1 000 m^3	2	2	2	2	2
Coconut oil	1 000 t	1.3	1.0	1.3	0.9	0.9
Tuvalu						
Coconut oil	t	16	17	18	19	20
Vanuatu						
Lumber	1 000 m^3	7	7	7	7	7
Coconut oil	1 000 t	1.4	1.3	1.0	1.9	2.6

1) 1994: 231 000 t.

5. TOURISM

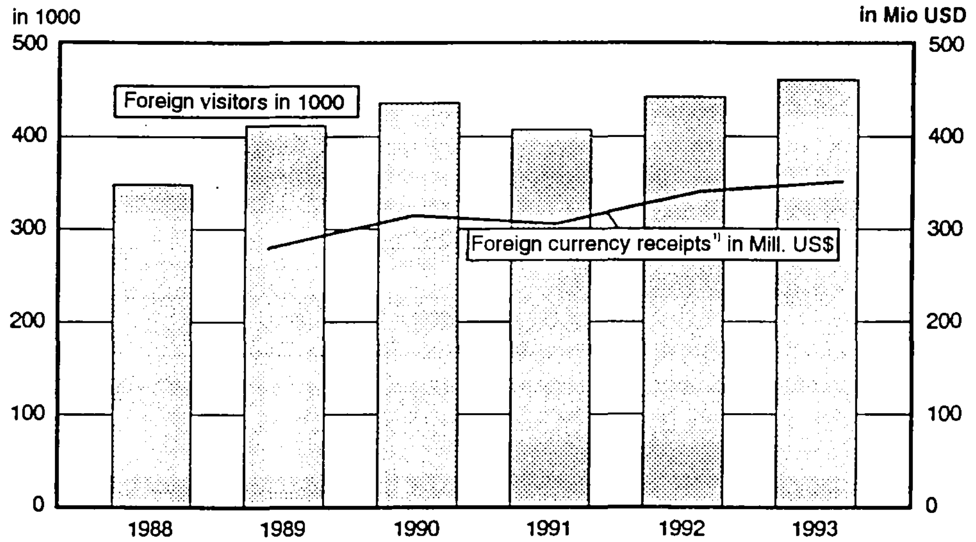
INTRODUCTION AND REGIONAL SUMMARY

Tourism is an important factor in the economy of most of the Pacific island nations and, given the limited scope for diversifying goods-producing sectors, is likely to assume an even greater role by developing into one of the main growth areas of the future. The significance of tourism to the Pacific economies is clear from the fact that revenue from tourism in some countries is a far greater source of foreign currency than agricultural or industrial export goods. Given the wide range of natural attractions in the area and the unique culture of these Pacific islands, there is an enormous, and as yet largely-untapped, potential for expanding tourism over the coming decades. There is, however, a series of major obstacles which have been blocking the path towards dynamic development in this sector in virtually all these countries (with the exception of Fiji). Chief among these obstacles are their geographical isolation from the tourist markets with the greatest purchasing power, an insufficient number of international flight connections, high air fares, the low volume and infrequency of flights to the Pacific islands, limited hotel and accommodation capacity, the overall inadequacy of the general and tourist infrastructure, a lack of tourism marketing activities, the shortage of skilled staff in the hotel and catering sector, the low level of foreign private investment as a result of the national governments' often hesitant attitude towards foreign commitments, and the fragility of the natural environment due, amongst other things, to its vulnerability to natural disasters (cyclones, tidal waves, etc.). Another factor which has hampered the development of tourism is the general lack of cooperation in this field among the Pacific island nations. Too often in the past, their minds were fixed on competing for foreign holidaymakers with their immediate neighbours in the Pacific, rather than waking up to the realization that their main competitors lay outside the region (e.g. the Caribbean countries, Hawaii, Guam/Saipan, French Polynesia, Indonesia, Thailand, Australia and New Zealand) and that a general tourism strategy for their area would bring greater success than individual national efforts.

Despite these limitations, tourism in the South Pacific has been on an upward trend since the end of the last decade, regaining the ground lost in the second half of the 1980s and making a decisive - albeit modest - contribution to economic growth in some countries (Fiji, Tonga, Vanuatu). Since 1988, there has been an almost constant rise in the number of foreign visitors to the Pacific region, the only exception being 1991 when the number of visitors from neighbouring Australia and New Zealand dropped temporarily as a result of the recession in these, the main two countries of origin. Over the whole period from 1988 to 1993, however, the number of foreign visitors rose by approximately one-third from 348-462,000, which represents an annual average increase of 5.8%. This put growth in tourism to the Pacific countries above the world average of 4.5% for the same period, but the figure was still well short of the 8.7% registered for eastern Asia and the Pacific as a whole. Although final figures for 1994 are not yet available for all eight countries, there is expected to be a further sharp rise in the number of visitors, particularly in view of the definite increase in the figure for Fiji, the region's main holiday destination (see below). There has also been a clear upturn in foreign currency earnings from tourism since the end of the 1980s.

Whereas the Pacific ACP countries (excluding Tuvalu) grossed USD 279 million of foreign exchange in 1989, this figure was up to USD 349 million by 1993, an increase of around one-quarter or 5.8% per annum. Earnings from tourism play a key role in the economies of some countries. World Bank data show, for example, that over one-quarter of Vanuatu's GDP is in the form of foreign exchange receipts from tourism, and this same item accounts for over one-fifth of the total in Western Samoa and around 16% of GDP in Fiji.

5.1 PACIFIC ACP COUNTRIES: FOREIGN VISITORS AND GROSS FOREIGN CURRENCY RECEIPTS FROM TOURISM, 1988-1993



1) Excl. Tuvalu.

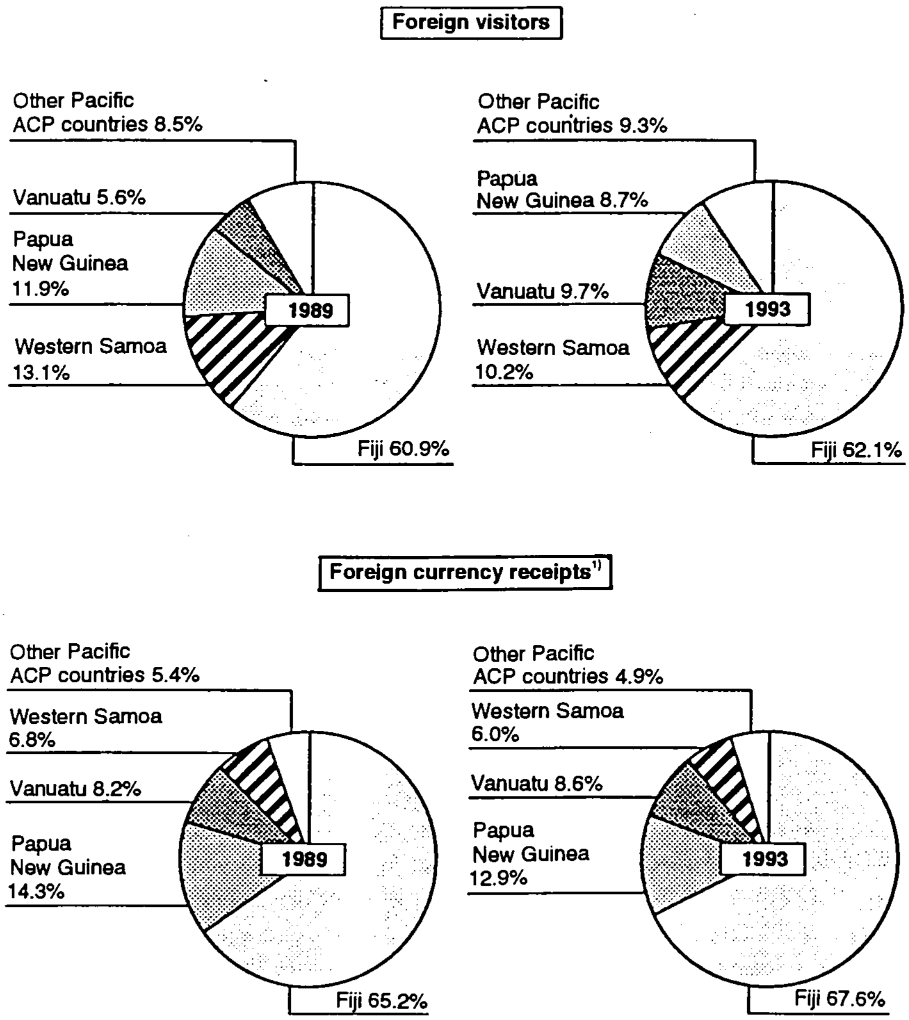
Statistisches Bundesamt 95 0225 B

Before going any further, it should, nevertheless, be pointed out that the total volume of tourist activity in the Pacific countries is still very modest indeed compared to other holiday destinations. With a combined total of less than half a million foreign visitors, these Pacific countries attract exactly one-third of the numbers choosing popular holiday destinations such as the Bahamas or the Dominican Republic. Their gross foreign exchange earnings of USD 350-400 million are also well below the equivalent figures for the aforementioned Caribbean nations (over USD 1,000 million net).

The chances of the Pacific countries enticing greater numbers of holidaymakers over the years to come are fairly good, provided they manage to overcome the aforementioned obstacles which have hampered the development of tourism in the past. The World Tourism organization (WTO), for example, sees East Asia and the Pacific as the fastest growing tourist market of the future. According to WTO estimates, the number of visitors to this area will rise from 68.5 million in 1993 to over 100 million by the year 2000, with three-quarters of these coming from the region itself. One hopeful sign is that for some years now the Pacific islands have not just been attracting tourists from the traditional countries of origin (Australia, New Zealand and the United States), but have also recorded a rise in visitors from further afield (Asia and Europe). There has been a particularly large percentage increase in the number of tourists from Japan, the United Kingdom and Germany since the end of the 1980s, and this rise is expected to continue (Table 5.1). It is, however, doubtful whether this increase in stationary visitors will spill over in any great way into the hitherto insignificant tourist cruise sector. The number of tourists on cruises in the region has rarely topped the 100,000 mark over the past few years, and given the geographical distances separating the Pacific islands (particularly Kiribati, Tonga, Western Samoa and Tuvalu) there seems very limited potential for future expansion in international cruise routes.

Given the stark contrasts in their existing tourist infrastructure and tourist potential, one can hardly expect that future increases in the number of holidaymakers will be evenly distributed across the eight Pacific countries. There are already enormous differences in the development and economic importance of tourism in the different countries. Of all the Pacific islands, Fiji is far and away the top holiday destination and, as Figure 5.2 shows, it accounts for over three-fifths of all foreign visitors. The second most popular destination is Western Samoa with a 10.2% share, followed by Vanuatu (9.7%) and Papua New Guinea (8.7%). The other four countries combined attract less than 10% of the total number of foreign visitors. A similar picture emerges when it comes to foreign exchange earnings, with Fiji amassing over two-thirds of the hard currency flowing into the Pacific through tourism, followed by Papua New Guinea (12.9%), Vanuatu (8.6%) and Western Samoa (6.0%). The other four countries' share is not even 5%. There are also striking differences when it comes to the purpose of the trips made to these countries by their foreign visitors. While over four-fifths of the visitors to Fiji are there on holiday (see Table 5.2) and the percentage of holidaymakers in Vanuatu is over 70% and in Tonga 54%, in all the other countries the proportion of tourists is no higher than between one-third and one-fifth. With the exception of Western Samoa, there is a higher percentage of businessmen visiting these countries than holidaymakers.

5.2 PACIFIC ACP COUNTRIES: FOREIGN VISITORS AND GROSS FOREIGN CURRENCY RECEIPTS FROM TOURISM, EACH COUNTRY'S SHARE IN %, 1989 AND 1993



1) Excl. Tuvalu.

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THE DEVELOPMENT OF TOURISM IN THE PACIFIC ACP COUNTRIES

As already mentioned, the development and importance of tourism in these eight countries has varied enormously up until now, and the outlook for the future is just as mixed. The purpose of this section is to analyse these differences and examine the potential for developing tourism in the individual Pacific countries.

Fiji is the main magnet for tourists to the Pacific ACP countries. In contrast to its neighbours, Fiji has a relatively well developed tourist infrastructure and direct air links for wide-bodied aircraft, not just with Australia and New Zealand but also with more distant countries such as Japan and the United States. The importance of tourism to the economy is clear from the fact that it produces around 17% of GDP and provides around 16% of the jobs in the country. Income from tourism (1993: USD 236 million gross) is now the country's largest source of foreign exchange, ahead of sugar, textiles and the other main Fijian goods exports (Table 5.6).

After the domestic political situation had prompted a dramatic fall in the number of tourists in 1987 (down to 190,000 from the 258,000 of the previous year), tourism then started to claw its way back, although it was 1990 before the numbers returned to their 1987 level. The flow of visitors dried up again in 1991 as a result of the recession in the main client regions (Australia/New Zealand and North America). There then followed a clear upturn in tourist activity, as numbers rose in just two years from 259,000 in 1991 to 287 000 in 1993. This trend reached a new high in 1994 with the number of foreign visitors up 11% on the previous year to 319,000. The main factors behind this recent boom in tourism are the major inflow of Japanese tourists arriving by new direct flights from several Japanese cities (Tokyo, Osaka, Nagoya), the further increase in visitors from New Zealand now that the recession there has come to an end, improved flight connections and lower air fares, and the growth in the number of European holidaymakers. Another contributory element has been the resumption of flights to the west coast of the United States (Los Angeles). On the other hand, both the proportion and actual number of the once-dominant contingent of Australians have fallen sharply, due to increasing competition from Bali and the fact that many Australians are now turning towards cheaper holidays at home.

If tourism is to remain a driving force behind the Fijian economy, a whole range of measures and initiatives will be required. With traditional beach and seaside tourism offering only limited scope for expansion, the range of tourist activities on offer will need to be diversified. The development of cultural tourism, eco-tourism (rainforests) and adventure holidays (including white-water rafting) are particularly promising avenues for growth, and some steps have already been taken in this direction. A new problem which has cropped up, and which is directly associated with the recent changes in the regional origin of the holidaymakers, is the shortage of hotel capacity in the superior and luxury categories. In particular, the increase in the number of wealthy Japanese and European tourists has resulted in luxury hotels being booked out for months in advance, while lower-category hotels are complaining of falling occupancy rates.

One serious impediment to the urgently-required expansion of superior accommodation capacity is the general absence of potential foreign investors, as these have been frightened off by the fairly unattractive conditions for investment (difficult land ownership conditions, lack of fresh water, etc.). In view of the lack of foreign capital, State organizations are now looking to build luxury hotels, one example being the construction of a five-star hotel near Nadi airport by the national airline, Air Pacific. One of the main aims of the Fijian government is to promote tourism away from the established centres, as witnessed by the plans currently being drawn up to develop tourism on the more out-of-the-way islands (such as Rotuma).

Tourism on **Kiribati** is relatively insignificant. The remote geographical location of this island archipelago, poor flight connections, high air fares and general lack of accommodation (less than 200 hotel beds!) have until now thwarted any significant upturn in tourism. The country welcomes 3-4,000 foreign visitors each year and foreign exchange earnings amount to some USD 1 million. The future offers only limited opportunities for growth, as the country is in no way suitable for mass tourism. Any strategy for tourism in Kiribati has to focus on promoting its special attractions, such as the unique wildlife of Kiritimati island. Other sites of interest for tourists might be the war relics on the islands of Tarawa and Butaritari, which were the scenes of fierce fighting in the Second World War. One prerequisite for increasing the number of visitors is an improved airline service, and the World Bank has recommended that smaller aircraft be used in future so that more regular flights can be offered to the country's tourist destinations.

Papua New Guinea has yet to make sufficient use of its tourist potential. Given that the country was only recently opened up through scheduled flights to neighbouring Asian countries, the inflow of foreign tourists has remained very modest, despite the adoption of a five-year plan for tourism in 1989 which held out tax incentives and favourable interest rates on credit to foreign investors. Quite the opposite happened in fact, as the number of people visiting the country actually fell from 49,000 in 1989 to hover around the 40,000 mark between 1990 and 1993. As a rule, gross foreign currency earnings from tourism remained below 50 million USD - a negligible amount when compared with the USD 700 - 900 million USD accrued annually from the commercial export of gold and petroleum. One of the causes of the stagnant trend in tourism since the end of the 1980s was undoubtedly the monetary policy pursued up until 1994, which vastly overvalued the national currency and resulted in high prices for holidaymakers. Another factor curbing any increase in the number of visitors is the country's poor road and rail network, which forces people to use expensive domestic flights. The periodically unstable political situation also did little to help boost the influx of foreign visitors. Australia remains the main country of origin for visitors to Papua New Guinea, accounting for up to 50% of the total, as little success has been achieved in recent years in raising the number and proportion of visitors from other countries or regions of the world. In view of the rather half-hearted initiatives to improve the tourist infrastructure and the increasing popularity of neighbouring Indonesian holiday destinations, it is unlikely that Papua New Guinea will see any substantial growth in tourism over the next few years.

Tourism is at a very embryonic stage in the **Solomon Islands**. Between 1988 and 1993, the number of foreign visitors was rather modest, fluctuating between 9,000 and 12,000 persons, although an increase in mainly Australian, New Zealand and American tourists has been in evidence since 1990. The 50th anniversary of the battle of Guadalcanal and of the landing of American forces gave a temporary boost to the Solomon Islands tourist trade in 1992, but the overall economic significance of the sector remains slight, as witnessed by the fact that the USD 5-6 million of foreign exchange earned by tourism in recent years is only a fraction of that generated by exports of raw wood, for example.

In order to generate stronger medium-term growth in tourism, urgent steps need to be taken to upgrade the airport infrastructure and increase the amount of accommodation available. The government is trying to interest private investors in these projects by offering tax incentives. The resurrection of a scheduled air service to Cairns in Australia could play a key role here, as the offer of two-centre holidays in the Solomon Islands and the well-developed north of Australia (North Queensland) could open up the Japanese tourist market in particular. The Solomon Islands government also hopes that its decision in January 1994 to allow a Japanese-Malaysian consortium to set up a casino will act as an impetus in the field of luxury tourism.

The tourism sector in **Western Samoa** was badly hit by several cyclones at the beginning of the 1990s. After achieving a new high of 54 000 in 1989, the number of visitors to the islands then fell back to 35,000 by 1991 due to the devastating effects of two hurricanes. Since then tourism has been on the road to recovery, and 1993 in particular saw a strong surge in numbers from 38,000 to 47 000. Foreign exchange receipts from tourism were also up to USD 21 million, over three times the total figure for the country's goods exports (see Chapter 11, Table 11.1). In addition to visitors from American Samoa, Australia, New Zealand and the United States, German tourists in particular have become a sizeable contingent since the end of the 1980s. Between 1988 and 1993, the proportion of German visitors to Western Samoa rose from 2.8% to the sizeable figure of 5.7%.

Western Samoa's main tourist attractions are its strong strain of cultural independence and eco-tourism (lava fields). The limiting factors at present are its dearth of suitable accommodation - only two hotels meet international standards -, insufficient air links and its system of land ownership. The Western Samoan government has, in the meantime, committed itself wholeheartedly to developing tourism, and its plans include measures for the long-term leasing of land under traditional ownership and efforts to find investors. In the medium term, Western Samoan tourism is likely to receive a shot in the arm from the planned construction of a USD 100 million tourist complex to be undertaken by a US-Hong Kong consortium. This project, which should be completed by 1997, includes the construction of a 300-room hotel and two golf courses to the south of the capital, Apia. Foreign capital is essential because public funds for investment in the tourist sector will be virtually non-existent over the next few years, due to the government's need to rescue the national carrier, Polynesian Airlines, from the financial difficulties with which it is beset.

Tourism in **Tonga** has experienced a steady increase over the last few years, with the number of visitors rising from 19,000 in 1988 to 26 000 in 1993. Given the country's weak export basis, the approximately USD 10 million brought in by tourism represents an important source of foreign exchange. In addition to tourists from traditional client countries such as Australia, New Zealand and the United States, there has also been a recent sharp increase in the number of visitors from Germany. In 1993, Germans made up 9.8% of the visitors to Tonga, making Germany the fourth-largest country of origin. Tonga's main attractions, which should also tempt larger numbers of tourists in the future, are similar to those of Western Samoa: the strong cultural identity of its inhabitants and marine eco-tourism (birdlife), as well as yachting holidays and sport fishing. The government is hoping that the suggestion contained in the Tonga National Tourism Plan to list the Ha'apai island group as a world heritage site will act as a particular spur to tourism. The expansion of hotel capacity and the air network is of vital importance to the future of the tourist industry in Tonga. One important step in this direction was taken with the leasing of a new Australian Boeing 737 300 by Royal Tongan Airlines together with Air Pacific of Fiji, as this has raised its passenger capacity and provided the basis for carrying larger numbers of holidaymakers.

Tourism in **Tuvalu** has remained largely undeveloped due to the small size of the country and its isolated location. Foreign visitors number only around 1,000, and there are fewer than 100 available beds, mainly in private guest houses. There is scant potential for any future growth in tourism, and this sector cannot be expected to play any significant role in the economy.

There is a much longer tradition of tourism on **Vanuatu**, which was already welcoming over 32,000 foreign visitors back in 1983. In 1987, however, the sector suffered a severe setback when the temporary closure of Air Vanuatu, the national airline, political instability and cyclone damage combined to push the total number of tourists to below 15,000. Although the following year's total of 16,000 was also very low, the situation then changed dramatically for the better. The number of foreign visitors increased each year up until 1993 when the total of 45,000 was three times higher than in 1987. Here more than in any other Pacific country, carefully-targetted marketing campaigns have resulted in a predominance of Australian and New Zealand tourists, who make up around 70% of all visitors. Although foreign exchange revenue from tourism in 1993 was down on the previous year at USD 30 million (1992: USD 38 million), it still exceeded income from goods exports. As the number of holidaymakers continued to rise, the occupancy rate of hotel rooms also improved from 40 to 45% at the end of the 1980s to approximately 65% in 1993.

The prospects for further expansion in tourism are also good for the next few years. The country's own Tourism Master Plan contains proposals for a thorough overhaul of the tourist infrastructure. It also advocates a greater commitment to tourism on the part of domestic providers of capital (ni-Vanuatus) and the diversification of tourist markets. Alongside traditional seaside tourism, there is particular potential for development in the fields of cultural tourism, nature tourism and recreational diving (wrecks, coral reefs, etc.). The advertising campaigns launched in Japan, the United States and Europe ('Visit South Pacific Year 1995') in conjunction with the extension of the airports at Bauerfield and Luganville to accommodate wide-bodied aircraft should help open up new holiday markets. There could also be an upturn in the number of cruise passengers, but although cruise ships do play a certain role in the Vanuatu tourist trade, the overall importance of this sub-sector should not be exaggerated in view of the very short time passengers spend on the islands.

SUMMARY AND FUTURE PROSPECTS

Any attempt to define the future role and position of the tourist trade in the economic development of the Pacific ACP countries cannot but conclude that tourism is nothing short of essential, given the extremely limited range of alternatives offering development potential. Pacific tourism does have growth potential and, at least in the case of the smaller countries, could provide a promising future basis for general economic expansion. In so saying, however, the foundations for the long-term expansion of tourism have still to be laid in virtually all these countries. Any future strategies for the development of tourism in the Pacific islands will have to differ substantially on a number of points from country to country, in view of their different points of departure. One thing these countries do, however, have in common is a need to market the specific attractions which set them apart from other established holiday destinations. They need to focus on the sensitive presentation of their cultural heritage and unique natural environment, as they are simply not suited for mass tourism, due to their small size, geographical isolation and the specific nature of their attractions. Development needs to be targeted at 'soft' tourism which is in harmony with the natural environment.

The World Bank is urging the South Pacific islands to adopt a tourism strategy whose goals are not just economic viability, but also ecological sustainability, the respect of native cultures and diversification of the products and services on offer. In addition, it should ensure that the State applies a certain flexibility in its decisions regarding tourism projects and does not commit an excessive amount of public resources to individual projects or tourist products.

The following important measures need to be taken immediately in order to create the basic conditions for lasting growth in tourism:

(i) rationalization of the national airlines, improved international connections, extension of the regional network of air routes and better domestic links between the individual islands;

(ii) development of hotel and accommodation capacity and the general infrastructure;

(iii) training of qualified staff in tourism management and advertising in the hotel and catering trade, and of tourist guides with specific local knowledge;

(iv) offering incentives to foreign investors and bolstering the confidence of investors by providing reliable transport links, a well-functioning service sector and easily-calculated fees and prices for government services;

(v) State regulations to protect the fragile environment (e.g. protection of the coastline) from any ecological damage caused by tourist development;

(vi) greater efforts to market tourism, particularly in Europe and Eastern Asia. These efforts should focus on marketing the unique identity of the Pacific region and its scenic attractions.

Many of these measures require regional cooperation among the different countries. Joint marketing activity and cooperation in the field of air transport are two areas where a future multilateral approach would be appropriate, another being the offer of tourist packages taking in both the Pacific islands and their immediate neighbours. One of the first steps towards greater multilateral cooperation in the field of tourism was taken with the establishment of the Tourism Council of the South Pacific (TCSP) in Suva, Fiji. This body brings together 13 South Pacific countries and receives financial support from the EU.

5.1 FOREIGN VISITORS BY SELECTED COUNTRY OF ORIGIN*)

Survey item	Total	Germany	United Kingdom	Canada	United States	Japan	Australia	New Zealand
	1 000	%						
Fiji								
1988	208	.	4.1	8.1	20.2	1.6	36.2	10.3
1989	251	.	4.6	6.6	13.7	5.5	38.7	11.2
1990	279	.	6.0	6.6	13.2	7.7	37.1	10.5
1991	259	3.8	6.4	5.9	12.3	10.7	33.4	11.8
1992	279	5.8	6.0	4.5	12.5	12.9	31.4	13.4
1993	287	4.9	7.0	4.3	14.8	13.3	27.0	14.2
1994	319	.	7.5	3.8	14.2	12.5	26.8	16.8

continued on next page

5.1 FOREIGN VISITORS BY SELECTED COUNTRY OF ORIGIN*) (continued)

Survey item	Total	Germany	United Kingdom	Canada	United States	Japan	Australia	New Zealand
	1 000	%						
Kiribati[1)]								
1988	3	.	5.4	.	25.7	.	.	.
1989	3	.	3.6	.	31.2	6.8	15.6	7.0
1990	3	.	0.3	.	19.3	7.6	11.4	4.7
1991	3	.	2.2	.	12.7	7.0	15.4	4.2
1992	4	.	5.2	.	16.4	5.6	13.0	3.5
1993	4	1.1	3.2	.	23.0	6.2	13.1	3.6
Papua New Guinea								
1988	41	3.1	6.4	1.5	11.1	5.4	47.6	4.7
1989	49	3.7	4.4	1.6	10.0	3.9	48.2	4.5
1990	41	4.7	7.6	1.9	10.6	4.5	46.3	4.6
1991	37	2.3	6.6	1.7	13.5	4.7	41.0	4.9
1992	43	2.4	6.2	1.5	11.6	4.3	49.0	5.0
1993	40	2.4	5.7	1.2	9.8	4.0	46.5	5.1
1994[2)]	11	3.2	5.9	1.7	11.4	4.2	38.3	5.1
Solomon Islands								
1988	11	.	5.3	.	8.5	5.5	36.2	12.0
1989	10	.	4.5	.	10.1	5.5	37.1	11.2
1990	9	.	5.5	.	8.2	5.8	37.0	13.8
1991	11	1.5	7.3	1.2	8.8	5.7	36.8	14.4
1992	12	1.5	7.0	1.3	9.7	5.9	35.6	14.1
1993	12	1.7	7.1	1.0	10.4	6.8	34.8	12.3
Western Samoa								
1988	49	2.8	0.8	0.7	10.4	.	9.5	27.6
1989	54	2.4	0.8	0.7	9.9	.	13.7	24.2
1990	48	2.0	6.0	1.2	8.6	.	10.6	17.3
1991	35	4.7	1.2	0.8	10.4	1.5	15.7	21.1
1992	38	4.9	1.5	0.8	10.8	1.5	11.1	21.0
1993	47	5.7	1.9	0.9	12.2	1.9	11.1	19.7

continued on next page

5.1 FOREIGN VISITORS BY SELECTED COUNTRY OF ORIGIN*) (continued)

Survey item	Total	Germany	United Kingdom	Canada	United States	Japan	Australia	New Zealand
	1 000	%						
*Tonga*1)								
1988	19	7.2	4.9	1.7	21.7	2.0	15.3	24.4
1989	21	5.9	5.8	1.4	20.1	2.6	13.2	20.4
1990	21	5.3	3.6	1.6	21.7	2.6	16.8	23.1
1991	22	7.0	4.1	1.5	22.7	3.4	16.1	25.3
1992	23	6.8	4.0	1.5	22.2	3.3	15.5	28.9
1993	26	9.8	4.0	1.1	20.3	3.3	14.4	28.3
1994 2)	6	14.1	4.7	0.0	19.7	3.0	14.2	19.0
Tuvalu								
1988	1	.	9.6	2.5	14.2	3.0	11.3	13.4
1989	1	.	9.0	1.6	13.2	4.1	16.0	11.1
1990	1	.	7.6	1.0	10.3	4.5	14.0	10.3
1991	1	.	2.8	1.0	6.5	3.8	11.9	8.2
1992	1	.	5.2	2.4	16.6	4.9	11.6	8.5
1993	1	.	6.4	1.4	9.1	5.1	18.0	7.9
Vanuatu								
1988	16	.	2.0	.	4.6	2.8	54.4	8.2
1989	23	.	2.1	.	3.5	3.0	58.7	8.3
1990	35	.	2.0	.	3.1	2.2	50.5	18.1
1991	40	.	1.5	.	3.3	1.8	54.1	18.4
1992	43	.	1.3	.	3.1	2.0	55.7	15.1
1993	45	0.6	1.2	0.5	2.8	2.2	52.6	17.1
1994 3)	12	.	.	.	.	2.7	60.2	8.0

*) Tourists; excluding passengers.
1) Foreign visitors arriving by air.
2) January to March.
3) January to March.

5.2 FOREIGN VISITORS BY PURPOSE OF TRIP IN 1989 AND 1993
(% of foreign visitors)

Country	1989			1993		
	Tourism	Business trips	Other reasons	Tourism	Business trips	Other reasons
Fiji	76.5	7.3	16.2	81.1	7.2	11.7
Kiribati	.	.	.	24.4	30.8	44.8
Papua New Guinea	36.8	40.2	23.0	21.4	39.0	39.5
Solomon Islands	45.3	33.7	21.0	33.9	37.1	29.0
Western Samoa	.	.	.	18.2	9.0	72.8
Tonga	44.1	15.3	40.6	54.3	14.5	31.2
Tuvalu	.	.	.	25.3	42.8	31.9
Vanuatu	73.4	15.2	11.4	70.8	12.6	16.6

5.3 TOURISTS ARRIVING ON CRUISE SHIPS

Country	1989	1990	1991	1992	1993	1989-1993
	1 000					% growth
Fiji	31	28	27	30	8	- 287.5
Solomon Islands	3	3	26	5	3	.
Tonga	10	8	9	10	9	- 11.1
Vanuatu	41	42	37	59	43	+ 4.7

5.4 ROOMS IN ESTABLISHMENTS PROVIDING ACCOMMODATION

Country	1989	1990	1991	1992	1993	1990-1993
	Number					% growth
Fiji	4 133	4 215	4 425	4 413	5 059	+ 20.0
Kiribati	.	80	102	102	102	+ 27.5
Papua New Guinea	.	2 655	2 631	2 631	2 631	- 0.9
Solomon Islands	.	265	293	366	511	+ 92.8
Western Samoa	.	439	489	559	557	+ 26.9
Tonga	.	550	564	571	600	+ 9.1
Tuvalu	.	26	26	44	45	+ 73.1
Vanuatu	517	521	536	516	512	- 1.7

5.5 BEDS IN ESTABLISHMENTS PROVIDING ACCOMMODATION

Country	1989	1990	1991	1992	1993
Fiji	11 396	11 477	12 071	11 855	13 330
Kiribati	.	160	161	161	161
Papua New Guinea	.	4 771	5 262	5 262	5 262
Solomon Islands	.	600	673	858	1 190
Western Samoa	.	900	1 005	1 340	1 336
Tonga	.	1 292	1 274	1 285	1 312
Tuvalu	.	54	51	93	97
Vanuatu	1 110	1 150	1 150	1 140	1 148

5.6 GROSS FOREIGN CURRENCY RECEIPTS FROM TOURISM (USD million)

Country	1989	1990	1991	1992	1993
Fiji	182	199	194	218	236
Kiribati	1	1	1	1	1
Papua New Guinea	40	41	41	49	45
Solomon Islands	5	4	5	6	6
Western Samoa	19	20	18	17	21
Tonga	9	9	10	9	10
Vanuatu	23	39	35	38	30

6. TRANSPORT AND COMMUNICATIONS

6.1 LENGTH OF ROAD NETWORK, NUMBER OF MOTOR VEHICLES AND CAR DENSITY

Country	Length of road network 1991		Year	Motor cars		Buses and heavy goods vehicles
	Total	Asphalted		Number	per 1 000 inhabitants	
	km					
Fiji	4 994	648	1988	34 895[1]	49	24 817
Kiribati	821	36	1990	268[1]	4	163
Papua New Guinea	21 433	.	1988	17 532	5	29 021
Solomon Islands	1 301	101	1990	1 009	3	2 430
Western Samoa	2 072	300	1990	1 950	12	663
Tonga	1 874	109	1989	2 306	24	990
Vanuatu	1 760	115	1990	4 200[1]	28	2 800

1) Including taxis

6.2 SHIPPING FLEET*)

Country	Seagoing vessels	Tonnage	Seagoing vessels	Tonnage	Seagoing vessels	Tonnage
	1985		1990		1993	
	Number	1 000 GRT	Number	1 000 GRT	Number	1 000 GRT
Fiji	60	30.6	63	55.5	55	31.2
Kiribati	4	2.1	7	3.5	10	5.4
Papua New Guinea	84	28.5	84	37.2	85	46.5
Solomon Islands	26	5.8	35	8.2	33	8.0
Tonga	20	17.3	18	39.6	14	9.5
Tuvalu	2	0.5	2	1.2	11	51.4
Vanuatu	28	138.0	273	2 163.6	287	1 998.0

*) Vessels of over 100 GRT. As at year end.

6.3 COMMUNICATIONS

Country	Main telephone connections		Radios		Televisions	
	1993		1992			
	Number	per 1 000 inhabitants	Number	per 1 000 inhabitants	Number	per 1 000 inhabitants
Fiji	53 997	72	455	603	12	16
Kiribati	1 753	23	15	200	.	.
Papua New Guinea	39 838	10	298	73	10	2
Solomon Islands	5 279	15	41	118	2	6
Western Samoa	7 000	44	76	481	6	38
Tonga	5 914	60	54	551	1	10
Tuvalu	.	.	3	231	.	.
Vanuatu	4 078	26	45	283	2	13

7. MONEY AND CREDIT

NB: The exchange rates are Deutsche Bundesbank and International Monetary Fund (IMF) values taken from national data (e.g. the rates published by the foreign exchange markets, information on rates provided by the central banks or commercial banks). The descriptions used for the currency units are those compiled by the International organization for Standardization in ISO Standard 4217.

Country	Currency		
Fiji	Fiji dollar (F$)	=	100 cents
Kiribati[1]	Australian/Kiribati dollar ($A)	=	100 cents
Papua New Guinea	Kina (K) ,	=	100 toea (t)
Western Samoa	Tala (WS$),	=	100 sene (s)
Solomon Islands	Solomon Islands dollar (SI$)	=	100 cents (¢)
Tonga	Pa'anga (T$)	=	100 seniti (s)
Tuvalu	Australian dollar ($A)	=	100 cents
Vanuatu	Vatu (VT)		

1) The Australian dollar is legal tender in Kiribati, alongside the country's own coins.

The values of the special drawing rights (SDRs) have been established since 1 April 1978 by the International Monetary Fund (IMF) using the so-called 'standard basket' technique. This basket contains five currencies: the US dollar, German mark, Japanese yen, French franc and pound sterling. On 12 May 1995, 1 SDR = USD 1.53779.

For the purposes of international comparability, gold reserves are shown in fine troy ounces (1 fine troy ounce (oz) = 31.103477 g) and, where possible, foreign exchange reserves and special drawing rights are given in US dollars.

The data on cash in circulation refer to notes and coins in circulation, excluding the holdings of issuing banks and commercial banks.

7.1 EXCHANGE RATES*)

Country	Currency	Currency units for USD 1 1)			Currency units for 1 SDR		
		1985	1994	1995 2)	1985	1994	1995 2)
Fiji	F$	1.1204	1.4090	1.4021	1.2307	2.0570	2.1880
Kiribati	$A	1.4728	1.2928	1.3755	.	.	.
Papua New Guinea	K	1.0125	1.1786	1.2099	1.1121	1.7206	.
Solomon Islands	SI$	1.6126	3.3890	3.3659	1.7714	4.8653 3)	.
Western Samoa	WS$	2.3063	2.4558	2.4444	2.5336	3.5791	3.8506
Tonga	T$	1.4715	1.2634	1.2824	1.6132	1.8371	1.9834
Tuvalu	$A	1.4728	1.2928	1.3755	.	.	.
Vanuatu	VT	100.275	112.020	113.155	110.12	163.62	170.38 4)

*) As at year end. Middle rate.
1) Official rate
2) As at March
3) As at September.
4) As at February.

7.2 EXCHANGE RATES FOR THE EUROPEAN CURRENCY UNIT (ECU)*)
Currency units for 1 ECU

Country	Currency	1990	1991	1992	1993	1994	1995 1)
Fiji	F$	1.870	1.832	1.939	1.827	1.740	1.802
Kiribati	$A	1.618	1.587	1.773	1.727	1.625	.
Papua New Guinea	K	1.197	1.185	1.346	1.150	1.350	1.473
Solomon Islands	SI$	3.151	3.331	3.748	3.738	3.613	4.262
Western Samoa	WS$	2.915	2.944	3.190	3.030	3.026	3.162
Tonga	T$	1.621	1.610	1.742	1.641	1.588	1.633
Tuvalu	$A	1.630	1.591	1.769	1.724	1.625	.
Vanuatu	VT	147.67	137.82	146.42	142.43	137.08	142.21
For information:							
Belgium/Luxembourg	BFR/LFR	42.426	42.223	41.593	40.471	39.657	38.599
Denmark	DKR	7.8565	7.9086	7.8093	7.5936	7.5433	7.4161
Germany	DM	2.0521	2.0508	2.0203	1.9364	1.9245	1.8739
Finland	FMK	4.8550	5.0021	5.8070	6.6963	6.1631	5.8052
France	FF	6.9141	6.9733	6.8484	6.6337	6.5826	6.5531
Greece	Dr.	201.40	225.20	247.00	268.60	287.98	299.02

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7.2 EXCHANGE RATES FOR THE EUROPEAN CURRENCY UNIT (ECU)*)
Currency units for 1 ECU (continued)

Country	Currency	1990	1991	1992	1993	1994	1995 1)
United Kingdom	£	0.7140	0.7010	0.7380	0.7800	0.7760	0.8116
Ireland	Ir£	0.7678	0.7678	0.7607	0.8000	0.7936	0.8124
Italy	LIT	1 522.0	1 533.2	1 595.5	1 841.2	1 914.2	2 141.1
Netherlands	HFL	2.3120	2.3110	2.2750	2.1750	2.1580	2.1002
Austria	S	14.440	14.431	14.217	13.624	13.540	13.187
Portugal	ESC	181.11	178.61	174.71	188.37	196.91	195.58
Sweden	SKR	7.5205	7.4793	7.5330	9.1215	9.1631	9.5025
Spain	PTA	129.41	128.47	132.53	149.12	158.91	166.22
United States	USD	1.2734	1.2392	1.2981	1.1710	1.1895	1.2898
Value of the Special Drawing Right 2)	SDR	0.9386	0.9057	0.9217	0.8386	0.8308	0.8518 3)

*) Annual average daily rates.
1) January/May av.
2) Annual average.
3) January/March av.

7.3 GOLD AND FOREIGN EXCHANGE RESERVES, SPECIAL DRAWING RIGHTS*)

Country	Gold	Foreign exchange	Special Drawing Rights	Gold	Foreign exchange	Special Drawing Rights
	Reserves			Reserves		
	1985			1995		
	1 000 fine troy oz	Mio USD		1 000 fine troy oz	Mio USD	
Fiji	11	116.59	5.65	1 1)	229.35 2)	11.65 1)
Papua New Guinea	63	430.19	6.47	63 3)	95.88 3)	0.11 3)
Solomon Islands	.	34.20	0.85	.	21.87 4)	0.01 5)
Western Samoa	.	14.01	0.01	.	42.10 2)	3.13 1)
Tonga	.	26.70	0.04 6)	.	22.74 1)	0.79 1)
Vanuatu	.	8.71	0.16	.	38.41 2)	0.37 1)

*) As at year end
1) March. - 2) February. - 3) 1994. - 4) September 1994. - 5) January. - 6) 1986.

7.4 CASH IN CIRCULATION AND MONEY SUPPLY[*]

Country	Currency	Cash in circulation	Cash in circulation per capita		Money supply		Growth in money supply (M2)
					M1	M2	
		Mio cu	cu	USD	Mio cu		%[1]
			1985				
Fiji	F$	61.8	88.0	78.6	137.8	489.4	+ 1.9
Papua New Guinea	K	94.26	27.1	26.8	244.15	820.12	+ 9.6
Solomon Islands	SI$	13.89	50.5	31.3	28.33	65.92	+ 2.6
Western Samoa	WS$	8.44	53.8	23.3	19.96	52.40	+ 20.4
Tonga	T$	3.569	38.0	25.9	10.929	27.561	+ 25.7
Vanuatu	VT	963	7 133	71.2	2 643	12 392	+ 13.1
			1994				
Fiji	F$	102.0[2]	131.1[2]	92.8[2]	354.3[2]	1 421.6[2]	+ 2.0[2]
Papua New Guinea	K	167.79[3]	39.9[3]	37.7[3]	623.39[3]	1 758.05[3]	+ 34.3[3]
Solomon Islands	SI$	42.43[4]	115.9[4]	35.0[4]	147.62[4]	302.35[4]	+ 23.7[4]
Western Samoa	WS$	10.68[5]	67.2[5]	27.2[5]	40.22[5]	135.00[5]	+ 14.8[5]
Tonga	T$	6.249[2]	63.1[2]	49.7[2]	24.317[2]	71.074[2]	+ 16.3[2]
Vanuatu	VT	1 319[6]	7 994[6]	69.4[6]	6 092[6]	24 773[6]	- 2.2[6]

*) As at year end..
1) Change on corresponding results for the previous year.
2) As at January 1995.
3) As at June.
4) As at September.
5) As at February 1995.
6) As at July.

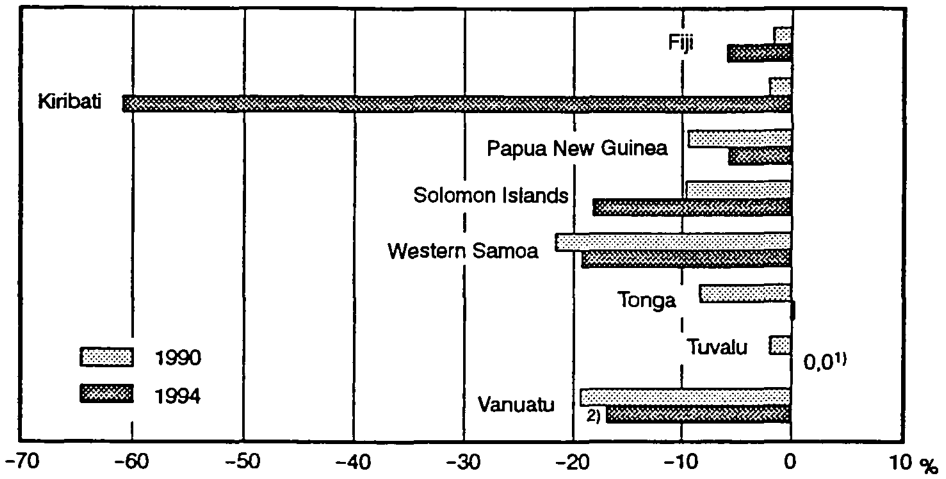
8. PUBLIC FINANCE

8.1 CENTRAL GOVERNMENT BUDGET REVENUE AND EXPENDITURE AS A PROPORTION OF GROSS DOMESTIC PRODUCT*)
(%)

Country	Budget Revenue 1990	Budget Revenue 1994	Budget Expenditure 1990	Budget Expenditure 1994	Surplus (+) or deficit (-) 1990	Surplus (+) or deficit (-) 1994
Fiji	26.6	29.4	28.2	35.2	- 1.6	- 5.8
Kiribati	102.8	65.3	104.8	126.1	- 2.0	- 60.8
Papua New Guinea	25.3	22.8	34.7	28.5	- 9.4	- 5.7
Solomon Islands	25.3	29.7	34.9	47.9	- 9.6	- 18.2
Western Samoa	48.5	52.7	70.1	71.9	- 21.6	- 19.2
Tonga	25.1	25.4	33.4	25.1	- 8.3	+ 0.3
Tuvalu	85.5	159.0	87.4	159.0	- 1.9	+ 0.0[1)]
Vanuatu	27.6	24.6[2)]	46.9	41.5[2)]	- 19.3	- 16.9[2)]

*) Asian Development Bank data. - 1) 1993. - 2) 1992

8.1 PACIFIC ACP COUNTRIES: CENTRAL GOVERNMENT BUDGET SURPLUS (+) OR DEFICIT (-) IN % OF GDP, 1980 AND 1994



1) 1993. - 2) 1992.

Statistisches Bundesamt 95 0234 B

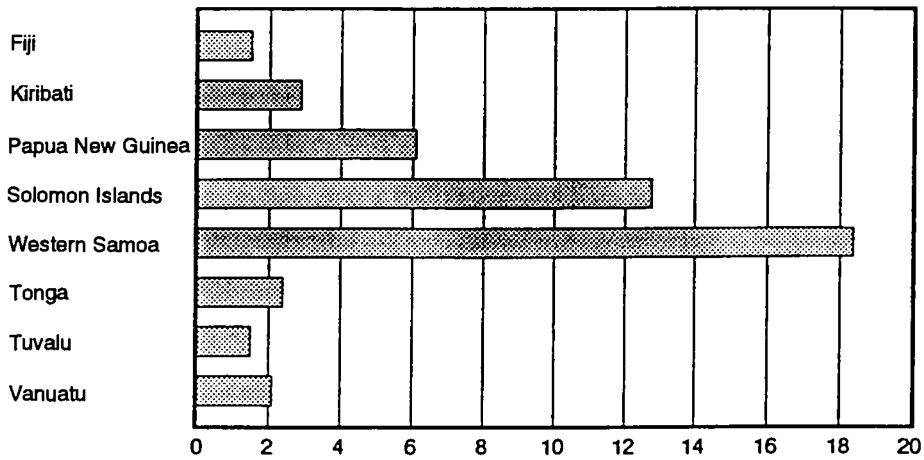
9. PRICES

9.1 GENERAL COST-OF-LIVING INDEX*)
(% change on corresponding figures for previous year)

Country	1989	1990	1991	1992	1993	1994
Fiji	6.2	8.2	6.5	4.9	5.2	1.5
Kiribati	3.3	3.8	5.7	4.0	6.1	2.9
Papua New Guinea	4.5	7.0	7.0	4.3	4.9	6.1
Solomon Islands	15.0	8.6	15.2	10.7	9.2	12.8
Western Samoa	6.4	15.2	- 1.4	8.5	1.4	18.4
Tonga	4.0	9.8	10.6	8.7	3.1	2.4
Tuvalu	2.8	3.8	6.4	2.2	1.5	1.5
Vanuatu	7.8	4.8	6.4	4.1	3.6	2.1

*) Annual average

9.1 PACIFIC ACP COUNTRIES: GENERAL COST-OF-LIVING INDEX 1994*)
% change on previous year's figures



*) Annual average.

Statistisches Bundesamt 95 0227 B

10. BALANCE OF PAYMENTS

The balance of payments gives an overall picture of the economic transactions between nationals and foreign nationals. It is divided into a current account and a capital account. The former represents turnover in goods and services as well as the transfers during the reporting period. Any divergences from the data on trade in goods contained in Chapter 11 on external trade can be explained by the use of different source material or different methods of calculation. The transfers include the counterpart entries to the goods and capital movements which are unrequited. The balances from trade in goods, trade in services and the transfers gives the balance on current account. In the capital account, capital movements are normally shown as changes in the total values of claims and liabilities. The balance of the capital account gives the increase (+) or decrease (-) in net foreign assets.

The balance of payments is always squared in formal terms, as in every other closed accounting system. The mathematical connection between the items described above is shown in the following equation:

Balance on current account
= Balance of capital transactions
(+ Balancing items).

The data which follow are based on publications by the International Monetary Fund in Washington DC and the Asian Development Bank in Manila.

10.1 BALANCE OF PAYMENTS
Mio USD*)

Year	Current account						Capital account		Balancing items
	Trade in goods		Trade in services		Transfers (balance)	Balance	Direct/ Portfoilio investments	Balance	
	Exports	Imports	Revenue	Expenditure					
					Fiji				
1991	427,4	549,5	493,1	354,5	+ 5,4	+ 21,8	- 19,4	+ 7,1	+ 14,6
1992	417,1	539,5	516,1	371,5	+ 9,6	+ 31,9	- 48,6	+ 16,7	+ 15,2
1993	422,5	653,5	578,4	376,5	+ 16,0	- 13,0	- 23,1	- 28,1	+ 15,2
1994	523,5	725,2	.	.	.	.	.	.	.

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10.1 BALANCE OF PAYMENTS (continued)
Mio USD*)

Year	Current account						Capital account		Balancing items
	Trade in goods		Trade in services		Transfers (balance)	Balance	Direct/ Portfoilio investments	Balance	
	Exports	Imports	Revenue	Expenditure					
					Kiribati				
1990	2.88	26.91	24.81	15.27	+ 22.42	+ 7.93	.	+ 10.24	- 2.31
1991	3.24	25.90	32.59	15.34	+ 18.08	+ 12.67	.	+ 11.22	+ 1.45
1992	3.79	23.99	28.54	14.96	+ 15.59	+ 8.96	.	+ 6.20	+ 2.76
					Papua New Guinea				
1991	1 482.6	1 403.8	374.1	863.0	+ 259.5	- 150.6	- 202.8	- 148.4	- 2.2
1992	1 950.9	1 321.7	389.1	1 113.6	+ 192.4	+ 97.0	- 290.9	+ 79.5	+ 17.5
1993	2 504.7	1 134.8	338.4	1 204.8	+ 42.9	+ 546.2	- 0.6	+ 575.4	- 29.1
1994	2 668.6	1 329.3	260.7	1 030.8	+ 10.9	+ 580.1	.	.	.
					Solomon Islands				
1991	83.43	91.98	32.97	98.65	+ 38.13	- 36.10	- 14.51	- 27.74	- 8.36
1992	101.74	87.43	37.02	88.93	+ 35.73	- 1.88	- 14.17	- 8.02	+ 6.16
1993	126.20	144.80[1)]	42.50	79.30	+ 38.40	- 17.10	- 6.30	.	.
					Western Samoa				
1991	6.48	77.62	37.95	37.03	+ 41.57	- 28.66	-	- 20.68	- 7.97
1992	5.82	89.90	42.81	45.98	+ 34.75	- 52.50	-	- 32.68	- 19.82
1993	6.43	87.37	40.11	42.64	+ 44.80	- 38.68	-	- 24.85	- 13.82
					Tonga				
1991	10.57	51.43	26.36	24.81	+ 37.30	- 2.01	+ 3.53	- 2.92	+ 0.91
1992	14.28	50.72	21.25	23.82	+ 37.60	- 1.42	- 0.79	- 2.59	+ 1.18
1993	11.90	49.50	21.30	21.41	+ 41.80	+ 4.10	- 0.25	+ 4.38	- 0.29
					Tuvalu				
1991	0.37	5.20	6.14	5.15	+ 4.14	+ 0.29	.	+ 0.39	- 0.10
1992	0.22	5.06	6.50	5.59	+ 9.46	+ 5.52	.	+ 10.76	- 5.24
1993	0.22	6.43	6.66	5.56	+ 6.38	+ 1.28	.	+ 2.21	- 0.93

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10.1 BALANCE OF PAYMENTS (continued)
Mio USD*)

Year	Current account						Capital account		Balancing items
	Trade in goods		Trade in services		Transfers (balance)	Balance	Direct/ Portfoilio investments	Balance	
	Exports	Imports	Revenue	Expenditure					
					Vanuatu				
1991	14.86	74.01	90.97	76.13	+ 49.74	+ 5.43	- 25.47	+ 24.75	- 19.31
1992	17.80	66.79	87.00	74.35	+ 39.90	+ 3.56	- 26.45	- 22.95	+ 26.52
1993	17.43	64.71	78.63	75.15	+ 42.82	- 0.98	- 26.65	- 12.65	+ 11.67

*) Conversion rates for 1 USD:

		1991	1992	1993	1994
Fiji	F $	1.4756	1.5030	1.5418	1.4641
Kiribati	$A/K	1.2838	1.3616	1.4706	1.2928
Papua New Guinea....	K	0.9520	0.9646	0.9784	1.0050
Solomon Islands........	S/$	2.7148	2.9281	3.1877	3.3890
Western Samoa.........	WS$	2.3975	2.4655	2.5681	2.5349
Tonga	T$	1.2961	1.3471	1.3841	1.3202
Tuvalu	$A	1.2840	1.3620	1.4710	1.2928
Vanuatu	VT	111.68	113.39	121.58	116.41

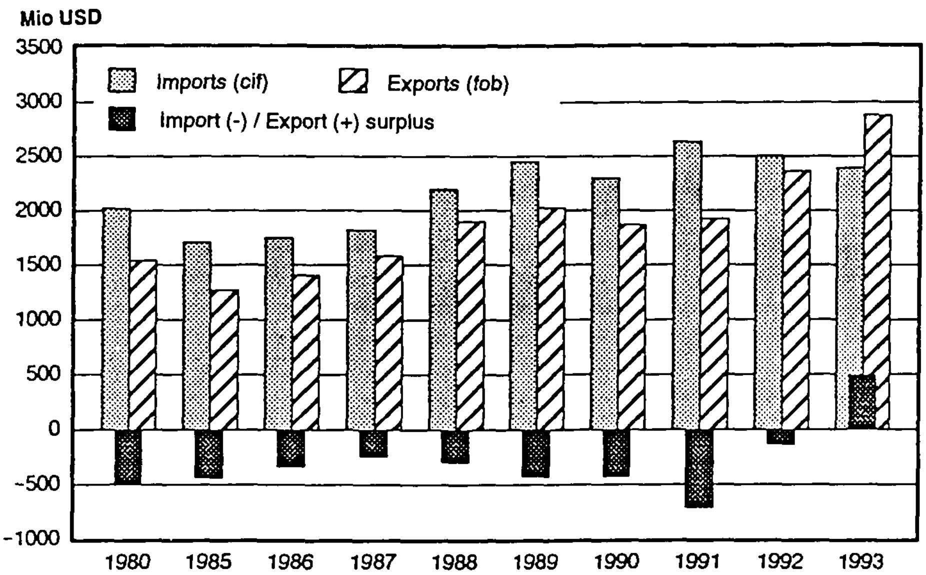
1) Cif value.

11. EXTERNAL TRADE

GENERAL SURVEY

The effective development of foreign trade by the islands of the South Pacific is hindered by many factors: their small size and geographical fragmentation, a dearth of natural resources and lack of capital and know-how, bottlenecks in the transport and marketing infrastructures, and the islands' situation on the periphery of the world's major trade and traffic flows and the high transport costs which this engenders. In contrast to the Caribbean islands, which benefit from the large and wealthy North American market on their doorstep, these Pacific nations lack such economically powerful neighbours. However, the mainly negative balance of trade in goods is generally offset by a positive balance of service transactions. The latter is mainly accumulated by their burgeoning tourist trades, but also by substantial return flows of capital from guest workers living abroad and transfers from equalisation funds[3].

11.1 PACIFIC ACP COUNTRIES: TRADE IN GOODS



Statistisches Bundesamt 95 0228 B

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[3] For example, the Revenue Equalisation Reserve Fund set up by the British colonial administration in Kiribati for the period after phosphate mining had ended, or the Tuvalu Trust Fund (TTF).

Despite some partial success over the last few years in extending their range of exports and trade relations, external trade and economic development as a whole remain very dependent upon external market forces. In general, these countries are heavily dependent upon international prices for raw materials, which only tend to edge up for the Pacific ACP countries' main products. The same dependence is true for imports, where changes in the price of energy and foodstuffs have above-average repercussions. On top of this, there is always the threat of natural disasters. While Western Samoa bore the brunt of the hurricane damage in 1990 and 1991, Fiji, Vanuatu and the Solomon Islands did not escape either, and this resulted in exports falling by between 25 and 42%. The trade penetration ratios (understood as the sum of imports and exports measured in terms of GDP) approach 80%, with over half of GDP having to be spent on imports. Whereas exports are mainly in the form of raw materials, a wide range of products have to be imported, with 50-60% of these taking the form of machinery, capital goods and petroleum. Imports of foodstuffs account for a significant share of the total in Kiribati and Vanuatu. The main export products are sugar, vanilla, wood, fish, meat, palm oil and copra. The heavy dependence upon imports and the imbalance in trade structures - export earnings in Western Samoa, Kiribati and Tonga are a mere 5-15% of the expenditure on imports - are reflected in the fact that some of the island nations have high balance of trade and balance of payments deficits.

11.1 EXTERNAL TRADE BY THE PACIFIC ACP COUNTRIES, 1980-93

Survey item	1980	1985	1986	1987	1988
	Mio USD				
Exports (fob)					
Fiji	377	236	274	320	373
Kiribati[1)]	3	4	2	2	5
Papua New Guinea	1 031	912	1 033	1 161	1 399
Solomon Islands	73	70	66	64	82
Western Samoa	17	16	11	12	15
Tonga	7	5	6	6	7
Tuvalu[1)]	1	0	0	0	0
Vanuatu	34	30	17	18	20
Total ...	1 543	1 273	1 409	1 583	1 901
Imports (cif)					
Fiji	562	442	435	379	462
Kiribati[1)]	21	15	14	18	22
Papua New Guinea	1 176	1 008	1 080	1 165	1 393
Solomon Islands	89	83	72	81	117
Western Samoa	62	51	47	62	76
Tonga	38	41	41	48	55

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11.1 EXTERNAL TRADE BY THE PACIFIC ACP COUNTRIES, 1980-93 (continued)

Survey item	1980	1985	1986	1987	1988
	Mio USD				
Tuvalu[1)]	4	2	3	3	5
Vanuatu	72	70	58	68	68
Total ...	2 024	1 712	1 750	1 824	2 198
Volume of goods					
Fiji	939	678	709	699	835
Kiribati[1)]	24	19	16	20	27
Papua New Guinea	2 207	1 920	2 113	2 326	2 792
Solomon Islands	162	153	138	145	199
Western Samoa	79	67	58	74	91
Tonga	45	46	47	54	62
Tuvalu[1)]	5	2	3	3	5
Vanuatu	106	100	75	86	88
Total ...	3 567	2 985	3 159	3 407	4 099
Balance of trade in goods					
Fiji	- 185	- 206	- 161	- 59	- 89
Kiribati[1)]	- 18	- 11	- 12	- 16	- 17
Papua New Guinea	- 145	- 96	- 47	- 4	+ 6
Solomon Islands	- 16	- 13	- 6	- 17	- 35
Western Samoa	- 45	- 35	- 36	- 50	- 61
Tonga	- 31	- 36	- 35	- 42	- 48
Tuvalu[1)]	- 3	- 2	- 3	- 3	- 5
Vanuatu	- 38	- 40	- 41	- 50	- 48
Total ...	- 481	- 439	- 341	- 241	- 297

Survey item	1989	1990	1991	1992	1993	1980/93
	Mio USD					% p.a.
Exports (fob)						
Fiji	494	615	462	407	417	+ 0.8
Kiribati[1)]	5	3	3	5	4	+ 2.2
Papua New Guinea	1 404	1 144	1 338	1 810	2 314	+ 6.4
Solomon Islands	75	70	84	102	106	+ 2.9
Western Samoa	13	9	6	6	6	- 7.7
Tonga	9	11	13	12	9	+ 2.0
Tuvalu[1)]	0	0	0	0	0	0.0

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11.1 EXTERNAL TRADE BY THE PACIFIC ACP COUNTRIES, 1980-93 (continued)

	1989	1990	1991	1992	1993	1980/93
	Mio USD					% p.a.
Vanuatu	22	19	18	24	23	- 3.0
Total ...	2 022	1 871	1 924	2 366	2 879	+ 4.9
Imports (cif)						
Fiji	581	743	642	614	659	+ 1.2
Kiribati[1]	23	27	26	37	26	+ 1.7
Papua New Guinea	1 530	1 193	1 614	1 485	1 316	+ 0.9
Solomon Islands	114	92	112	107	137	+ 3.4
Western Samoa	75	80	94	110	105	+ 4.1
Tonga	54	62	59	63	61	+ 3.7
Tuvalu[1]	4	5	5	5	7	+ 4.4
Vanuatu	71	96	83	82	80	+ 0.8
Total ...	2 452	2 298	2 635	2 503	2 391	+ 1.3
Volume of goods						
Fiji	1 075	1 358	1 104	1 021	1 076	+ 1.1
Kiribati[1]	28	30	29	42	30	+ 1.7
Papua New Guinea	2 934	2 337	2 952	3 295	3 630	+ 3.9
Solomon Islands	189	162	196	209	243	+ 3.2
Western Samoa	88	89	100	116	111	+ 2.7
Tonga	63	73	72	75	70	+ 3.5
Tuvalu[1]	4	5	5	5	7	+ 2.6
Vanuatu	93	115	101	106	103	- 0.2
Total ...	4 474	4 169	4 559	4 869	5 270	+ 3.0
Balance of trade in goods						
Fiji	- 87	- 128	- 180	- 207	- 242	X
Kiribati[1]	- 18	- 24	- 23	- 32	- 22	X
Papua New Guinea	- 126	- 49	- 276	+ 325	+ 998	X
Solomon Islands	- 39	- 22	- 28	- 5	- 31	X
Western Samoa	- 62	- 71	- 88	- 104	- 99	X
Tonga	- 45	- 51	- 46	- 51	- 52	X
Tuvalu[1]	- 4	- 5	- 5	- 5	- 7	X
Vanuatu	- 49	- 77	- 65	- 58	- 57	X
Total ...	- 430	- 427	- 711	- 137	+ 488	X

1) Figures estimated on the basis of previous years' values converted from the national currency into USD.

In the recent past, however, the changes seen below have emerged in sectoral and regional patterns of trade in the Pacific ACP countries:

The composition of exports over the last decade has moved towards higher-value items. Although primary products still make up the bulk of exports, the growth rates for processed raw materials (such as fish and wood) and products of manufacturing industry have been considerable. Whereas just ten years ago industrial products had only a negligible share of total exports, these articles made up a good 8% of exports in 1991/93. What these average values do not show, however, is that Fiji has been very much responsible for this trend, as the other island nations are still very dependent upon the export of primary raw materials. The islands have, nonetheless, managed to broaden their range of exports and - as a reaction to falling prices for raw materials - discover niche markets for specific export goods. In Papua New Guinea, coffee, tea and cocoa are gaining ground, while Fiji specializes in textiles, clothing and footwear, Tonga in gourds, the Solomon Islands in sawn wood, Vanuatu in veal and Kiribati in seaweeds. Western Samoa has also recently started exporting car accessories.

The structure of imports has also been subject to certain changes. While the proportion of imported foodstuffs, mineral fuels, fats, oils and chemicals has fallen, there has been a rise in the figures for machinery, beverages and tobacco products, and services. The proportion of imports is very high for most activities, generally over 50%.

Significant changes have also taken place in the regional export structure. While trade by the Pacific countries is, of course, still very much dependent upon the Lomé Agreements, there are clear signs of a greater orientation towards neighbouring regions in Asia, and this trend is likely to become more pronounced in the future. Japan and other Asian countries are fast becoming important target regions for exports from the Solomon Islands, Tonga, Vanuatu and Fiji. Furthermore, as the Pacific countries have turned away from 'administrative' and 'traditional' exports products towards more market-oriented export goods, trade with Europe has decreased. Only the Solomon Islands has seen an increase in trade with Europe when it comes to non-traditional export products (tinned tuna). Thirdly, intra-regional trade has become less important (with the exception of Fiji). Australia and New Zealand are now the main outlets for products from Western Samoa and Papua New Guinea.

The main sources of imports into the Pacific ACP countries are Australia, New Zealand and Japan. The islands also import goods from the EU, the United States and various Asian countries.

11.2 EXTERNAL TRADE BROKEN DOWN BY INDIVIDUAL PACIFIC ACP COUNTRIES

Country	Exports (fob)			Imports (cif)			Volume of goods		
	1980	1993	1980/93	1980	1993	1980/93	1980	1993	1980/93
	%		% p. a.	%		% p. a.	%		% p. a.
Fiji	24.4	14.5	- 3.9	27.8	27.6	- 0.1	26.3	20.4	- 1.9
Kiribati 1)	0.2	0.1	- 2.6	1.0	1.1	+ 0.4	0.7	0.6	- 1.3
Papua New Guinea	66.8	80.4	+ 1.4	58.1	55.0	- 0.4	61.9	68.9	+ 0.8
Solomon Islands	4.7	3.7	- 1.9	4.4	5.7	+ 2.1	4.5	4.6	+ 0.1
Western Samoa	1.1	0.2	- 12.0	3.1	4.4	+ 2.8	2.2	2.1	- 0.4
Tonga	0.5	0.3	- 2.8	1.9	2.6	+ 2.4	1.3	1.3	+ 0.4
Tuvalu 1)	0.1	0.0	.	0.2	0.3	+ 3.1	0.1	0.1	- 0.4
Vanuatu	2.2	0.8	- 7.5	3.6	3.3	- 0.5	3.0	2.0	- 3.2
Total...	100	100	X	100	100	X	100	100	X

1) Figures estimated on the basis of previous years' values converted from the national currency into USD.

11.3 THE MAIN NATIONAL/REGIONAL MARKETS FOR EXPORTS FROM THE PACIFIC ACP COUNTRIES (% of exports)

Country	Australia/ New Zealand		Japan		EU		United States	
	1985	1993	1985	1993	1985	1993	1985	1993
Fiji	18	25	3	6	31	25	5	0
Kiribati	1	1	4	0	45	25	0	30
Papua New Guinea	12	42	22	27	47	11	4	4
Solomon Islands	3	2	52	63	26	13	2	3
Western Samoa	30	64	1	0	6	0	59	13
Tonga	83	9	0	56	1	1	3	19
Vanuatu	2	6	7	26	25	36	0	16

Papua New Guinea claimed the lion's share of total trade in goods by the Pacific ACP countries in 1993 with almost 69%. In second place came Fiji with over 20%, followed by the Solomon Islands (5%), Vanuatu (2%) and Western Samoa (2%). While Tonga's contribution was around 1%, neither Kiribati nor Tuvalu managed to reach this mark. This means that Fiji's slice of the region's total trade has shrunk from 26% in 1980, while Papua New Guinea's share has risen (1980: 62%). With over 80% of all the Pacific ACP countries' exports, Papua New Guinea's dominance in this field is even greater. Fiji again lies in second position with almost 15%, ahead of the Solomon Islands on 4%. The remaining countries are of little significance in terms of exports. The overall import figures show a similar picture: 55% of all imports in 1993 were destined for Papua New Guinea, 28% for Fiji, 6% for the Solomon Islands, 4% for Western Samoa and 3% for Vanuatu. Kiribati and Tuvalu again accounted for either 1% or less.

Despite their efforts to diversify exports and find new trading partners, the fragile economies of the island nations are still prone to serious disruption by external factors. Slight changes in the terms of trade, which already took a turn for the worse between 1980 and 1992, could have dire consequences for their overall economic development. Economic development here is notable for its high volatility, since it is closely linked to unstable trends in economic growth and exports, one reason for which is a continuing lack of diversification in the range of exports.

A clear insight into the extreme vulnerability of these economically poorly-diversified island nations can be gained from the following indicators:

(i) high deficits on the balance of trade in goods (in some instances);

(ii) high balance of payments deficits (in some instances);

(iii) high trade penetration ratios; 50-100% of GDP from 1991-93;

(iv) high concentration on just a few export products; the average three-product export concentration ratio is 80%;

(v) the significant proportion of total revenue gained in some countries from taxes on goods.

With the increasing globalization of markets throughout the world, it is of capital importance to the Pacific ACP countries that they diversify their trade relations in order to remain competitive, particularly in the field of light industry, which is one of their developing sectors. While trade agreements such as Sparteca (South Pacific Regional Trade and Economic Cooperation Agreement) have so far allowed manufacturers on the Pacific islands to sell their goods virtually duty free in Australia and New Zealand, these same advantages will also be granted to competitors under the future process of trade liberalization.

There is also a downside to trade agreements such as Sparteca. In order to meet the demands for a 50% local content, yarn manufacturers on Fiji, for example, have to buy their capital goods and raw materials from Australia and New Zealand rather from their cheaper neighbours in Asia.

The Pacific ACP countries can expect the effects of the GATT/WTO agreements on the development of their external trade to be both positive and negative. On the one hand, the new agreement will increase world trade and thus the demand for export goods from the eight Pacific countries. On the other hand, however, the goal of dismantling tariff preferences could seriously curtail the export opportunities open to the Pacific ACP countries. The main products affected by this measure in the future would be sugar and tinned tuna exports to the European Union.

Fiji has been a full member of GATT since November 1993, the Solomon Islands since the end of 1994. Papua New Guinea, Kiribati and Tonga are *de facto* members. Fiji also has membership of the new WTO, while Vanuatu is at the top of the waiting list. Both countries have thus shown themselves to be in the vanguard for trade liberalization among the Pacific ACP countries.

It has been seen in many cases that distance from the main markets can at the same time act as a 'natural' protective barrier. Import duties are still as a rule running at around 10 to 40% substantially higher than in Australia and New Zealand and also, in general, than in the northern Pacific islands.

The Pacific ACP countries need to satisfy certain demands in order to boost their competitiveness. They should:

(i) create a suitable macroeconomic environment with a low inflation rate and competitive prices for capital, labour and real estate;

(ii) lower their high import duties which raise costs for domestic manufacturers and thus have a counterproductive effect. Since trade tariffs often cover a large part of current government expenditure, alternative sources of income need to be created (e.g. through tax reforms). Over half of government revenue in the Solomon Islands, Tonga, Western Samoa and Vanuatu comes from trade tariffs, while the figure for Fiji and Kiribati lies between one-quarter and one-third.

(iii) improve the basic conditions for domestic and foreign direct investment;

(iv) explore and evaluate niche markets;

(v) step up trade and investment links with the Asian tiger economies.

SALIENT POINTS IN THE INDIVIDUAL COUNTRIES

Leaving aside these general trends, the situation varies considerably from country to country. There are various different factors which influence trade, such as stocks of natural resources, geographical location, relationships to former colonial powers or political and cultural make-up. There now follows a brief summary of those aspects which are specific to individual countries.

Fiji

Fiji's most important export products are sugar, gold, fish products, textiles, wood and fruit. The country exports between 390,000 t and 450,000 t of sugar each year, approximately three-quarters of which is sold at preferential prices which are almost twice the world market rate. The main market for this sugar is the European Union which, under the Lomé Convention, has promised to purchase 200,000 t of sugar each year from this ACP member country at preferential prices. In July 1994, this intervention price was two and a half times the world market price. In 1993, Fiji exported ECU 119 million worth of goods to the EU, 85% of which was accounted for by sugar. As a result of the heavily-subsidized sugar prices, the sugar industry has lost its competitiveness, and with production costs now relatively high in world terms there is a danger that this important branch of industry will go to wrack and ruin. With the EU expected to abolish preferences for ACP countries in the sugar trade when Lomé IV expires, the effect on the now-uncompetitive sugar industry in Fiji could be devastating, unless the country manages to restructure the sector in the short to medium term.

As gradual moves are made towards diversification of the export trade, exports of textiles, gold, wood and fish products are gaining in importance. In 1994, the value of wood exports went up 13% and fish exports by over 21%. All in all, exports grew by 23% in 1994, while imports only increased by just under 3%.

The main markets for Fijian products in 1992 were the EU (the United Kingdom in particular), Australia, the United States and New Zealand. Fiji received most of its imports from Australia and New Zealand.

Like virtually all the Pacific ACP countries, Fiji has a chronic deficit in its balance of trade in goods, but its balance of payments figures are improved by its earnings from tourism.

Kiribati

This widely-dispersed island archipelago with a land area of just 811 km^2 has a very modest export basis. With phosphate mining on the island of Banaba coming to an end in 1979, the country lost over 80% of its previous export earnings from 1980 onwards. Since then, copra and marine products have been the main export goods. Whereas a few years ago, these exports were restricted to copra and table fish, there is now an increasing demand for seaweeds and ornamental fish. Despite having an exclusive economic zone which covers almost 3.6 million km^2 of the Pacific Ocean, fish exports are relatively low (1992: 6% of total export revenue). Fishing in this zone is carried out by foreign fishing fleets (Japan, South Korea, Taiwan), which have to pay licence fees for the privilege.

In 1993, export revenue fell just short of USD 4 million, a mere 15% of the total value of imports. With exports up only slightly in 1994 while imports surged ahead, the result was a balance of trade deficit amounting to 67% of GDP. Despite this figure, Kiribati still manages to record a reasonable balance of payments surplus thanks entirely to high transfers in the services account. These include interest earnings from the Revenue Equalisation Reserve Fund, set up by the British colonial administration for the period after phosphate mining had ended, revenue from fishing licences to foreign fishing nations, transfers from Kiribati sailors working on foreign vessels, transfer payments by the EU, and development aid payments.

The main target regions for exports from Kiribati are the United States and the EU. Most of its imports come from the United States, Japan and Australia.

Papua New Guinea

Following a period of steady growth over the last few years, Papua New Guinea's exports totalled USD 2,300 million in 1993. The mining sector (gold, copper and crude oil) is now the largest export branch, with mineral products accounting for around 75% of export revenue in 1993. Exports of petroleum and gold alone brought in USD 836 million and USD 697 million respectively. The second-largest export sector is agriculture and forestry, which still accounted for over 50% of export earnings at the beginning of the 1980s and contributed 25% in 1993. Almost two-thirds of this revenue came from the export of forestry products, while the main cash crops are coffee beans, cocoa beans, wood, copra and palm oil.

After exports had grown by 38% in 1993, they fell back slightly in 1994, as a further increase in forestry exports was unable to compensate fully for the drop in exports of mineral products. With imports remaining at their 1993 level, the balance of trade and payments surplus in 1994 was down on the previous year.

Australia is by far the largest market for exports from Papua New Guinea (1993: 42%), followed by Japan and the EU Member States. These countries are also the main sources of imports.

Solomon Islands

Since 1991, the Solomon Islands has recorded a sharp rise in export revenue (29% p.a.), mainly due to the rapid expansion in wood exports driven by higher world market prices. According to data issued by the country's central bank, exports in 1994 were at their highest-ever level of USD 149.5 million, 56% of which was earned from exports of wood (97% in the form of unprocessed logs). In all 20% of the revenue in 1994 came from the export of fish, the Solomon Islands' second-largest export item. Most of the export revenue from fisheries (around 60%) is earned by tinned tuna fish, which is produced in the Solomon Islands under a joint venture with Japan (Solomon Taiyo Ltd). Frozen fish account for 33% of the income, while exports of smoked fish have hitherto made up a small part of the total. Apart from wood and fish, other contributions to the country's export earnings are made by palm oil and kernels (1994: 8.4% of export revenue), copra (3.7%) and cocoa beans (2%).

Most of the exports go to Asian countries, particularly Japan (1993: 63%), and the EU (13%). Wood, which is the largest single export product, is almost exclusively destined for Asia: in 1994, 55% of wood exports went to Japan, 27% to South Korea and 8% to the Philippines. The Solomon Islands is the only Pacific ACP country whose exports of non-traditional products to Europe are growing, mainly as a result of exports of tinned tuna to the United Kingdom.

After import expenditure had risen sharply by around 50% in 1993, it then ebbed slightly in 1994 as a result of weaker domestic consumption and a drop in the value of oil imports. As a result, the Solomon Islands was able to return a positive balance of trade and payments (including government transfers) for the first time in 1994. Most of the imports are in the form of machinery and transport equipment, industrial finished products, foodstuffs and mineral fuels, and are purchased mainly from Australia, Asia (particularly Japan and Singapore) and the United States.

The prospects for the future development of foreign trade are uncertain, since the government in office since mid-1994 has yet to adopt a clear position on the demands by environmentalists for a reduction in tree-felling. One measure the new government has taken is to reduce the high export duties on wood imposed by the previous government in the first half of 1994. It is not yet clear whether future restrictions will be placed on the granting of licences to foreign firms. The fisheries sector, on the other hand, offers plenty of potential for development. The National Fisheries Development Ltd had a catch quota of just 10,000 t for 1994, and exports mainly frozen fish to American Samoa, Puerto Rico, Thailand, Japan, Ecuador and Fiji. The fish caught by the Japanese firm Solomon Taiyo Ltd is processed and sold not just in the Solomon Islands, but also in Japan. In addition, the 120 licences granted to Japanese and Taiwanese fishing vessels in 1994 brought USD 1.8 million into the State's coffers. However, the Solomon Islands itself could make greater use of the value-added potential offered by its 1.3 million km^2 of exclusive economic zone.

Western Samoa

Western Samoa offers a particularly telling example of the main weakness involved in the area's dependence on just a few export goods. The country's export basis, which was founded solely on cocoa beans, coconut products, taro and wood, was virtually wiped out by the severe hurricanes of 1990 and 1991. Most of the cocoa plantations were destroyed. The production of coconut products virtually ground to a halt due to a lack of nuts, the only exception being creamed coconut which was manufactured with the aid of imported coconuts. While taro - a root crop which forms part of the staple diet of the Western Samoans - escaped the worst of the damage, a temporary ban was placed on exports in order to counter any bottlenecks in supplies to the local population. As a result of these natural disasters, export revenue fell by half between 1989 and 1993, while imports escalated as a result of the reconstruction activity. After agricultural production (coconuts and bananas) had started to recover in the first half of 1993, the export trade was then dealt another blow when the taro crop fell victim to a plant disease in the second half of the year, making it unsuitable for export. The loss of this important cash crop led to a further crash in export revenue in 1994, as it dropped by almost 50% to around USD 3.6 million. Although imports were also down, the trade deficit in 1994 reached 55% of GDP.

The only positive trend was in exports of electrical car accessories assembled for the export market by the Japanese firm, Yazaki. The gross export earnings for these products, which do not feature in the trade figures, were some USD 24 million in 1992. While almost two-thirds of all the country's exports went to Australia and New Zealand in 1993, the latter were only second in the import league table. The main source of imports was the United States.

Tonga

Agriculture and fisheries are the cornerstones of the export sector in the Kingdom of Tonga, producing around 80% of the country's total export earnings. Since the mid-1980s, Tonga has been very successful in extending its range of exports from just a few traditional tropical fruits to encompass gourds, vanilla and fish. As a result, the two new cash crops were able to offset the decline in the country's traditional agricultural exports - bananas and coconuts. The marketing of gourds has proved to be particularly successful and has helped raise Tonga's export revenue. According to ADB data, export income rose by almost 40% in 1994, thanks mainly to the 50% leap in the value of gourd exports. Vanilla and fish also played their part in raising the value of exports. Despite this diversification, Tonga's external trade is still dependent on just a few products, and competition is already hotting up in its new export market. Regional rivals (such as Vanuatu) have already leapt onto the 'gourd production' bandwagon and this will doubtless soon result in falling prices. It is, however, hoped that higher export earnings from vanilla and fish will compensate for this reduction in profits.

Expenditure on imports is high - generally four times the level of export earnings - and has not been balanced out by the increase in export revenue, a situation not helped by the fact that imports rose a further 19% in 1994 as a result of higher incomes and domestic credit. As a result, in 1994 Tonga was still unable to make much impression on its chronically high balance of trade deficit.

While over 80% of Tongan exports still went to Australia and New Zealand in the mid-1980s, Japan is now the country's main export target (1993: 56%), followed by the United

States (19%). The EU is insignificant as an export market for Tonga. Over half of the country's imports still come from Australia and New Zealand, although an increasing volume of goods is imported from Japan and Fiji.

Tuvalu

Tuvalu has no real export basis to speak of. Revenue from the export of postage stamps, fish, copra and hand-woven fabrics is usually well below the USD 1 million mark. The main markets for these products in 1992 were the United States and the European Union. The fishing industry cannot be expanded because these tiny islands lack the necessary infrastructure (water, energy), although some tentative steps have already been taken to combine fishing with subsequent commercial exploitation by overseas processing facilities, such as those in Levuka (Fiji).

The meagre export earnings cover only a small percentage of the country's ever-increasing expenditure on imports. Although exact trade figures are not available, it is estimated that despite a slight increase in export revenue in 1994, it still only came to 3.5% of total expenditure on imports. With imports also up, Tuvalu's balance of trade deficit remained chronically high at 55% of GDP. These imports, which account for a substantial proportion of total consumption, come mainly from Australia, Fiji and New Zealand.

Income from the Tuvalu Trust Fund, remittances by Tuvaluans working abroad, revenue from fishing licences and government transfers all help, however, to even out the balance of payments. After recording a slight deficit in 1993, the 1994 figures are even expected to show a surplus of around 6% of GDP.

Vanuatu

In contrast to Kiribati or Tuvalu, Vanuatu has a diversified range of exports, even if this is largely restricted to agricultural products. Copra is traditionally the main export product, and the country's other export goods include beef, kava powder, cocoa beans, wood and, since quite recently, gourds. As is the case in Tonga, new cash crops such as gourds and the expansion of beef production have also helped Vanuatu to offset its dwindling earnings from traditional copra exports. In 1991, copra still brought in about one-fifth of the country's export revenue, although in years gone by its share had been as high as 70%. At the moment, copra exports only remain competitive by dint of external aid under the EU's Stabex programme to guarantee export earnings. Despite the high transport costs involved, the EU is therefore Vanuatu's most important market, followed by Japan and the United States.

The cattle population has been expanded considerably since the mid-1980s and beef has become the country's second-largest export product. The export opportunities for tinned and frozen products also improved when Japanese investors took over a number of European enterprises. By combining cattle-rearing with copra production - 70% of the cattle graze in the shadow of coconut palms -, a greater number of smallholders became involved in meat production.

The cultivation of gourds for export has mushroomed since 1992. As world market prices for gourds shot up, the production of this latest export product tripled within a year to around 1,500 t in 1993.

Kava powder - a powder used throughout Melanesia to produce a drink with narcotic effects - became the country's most important export product in intra-regional trade with the other South Pacific islands.

Vanuatu obtains most of its imports from Australia. With import expenditure on the increase, the island nation suffers from a chronic balance of trade deficit, which was already at one-third of GDP in 1993.

In order to check the destruction of its forestry resources and promote wood processing in the country itself, Vanuatu has banned the export of unprocessed raw wood (logs) since June 1994 (see Chapter 3).

The tax system, which is essentially made up of duties on external trade, forces costs up and thus stifles new initiatives in the private sector (e.g. in the field of tourism). Following a revision of this system in 1994, it is hoped that there will be changes in taxation in 1995, which should act as a stimulus to the private sector.

11.4 EU EXTERNAL TRADE WITH THE PACIFIC ACP COUNTRIES

Survey item	1989	1990	1991	1992	1993	1989/93
	Mio ECU					% p.a.
Imports by the EU from the Pacific ACP countries						
Fiji	109.6	93.4	119.7	113.3	118.9	+ 2.1
Kiribati	4.2	1.6	1.2	0.3	1.6	- 21.4
Papua New Guinea	436.9	224.6	198.5	209.7	214.4	- 16.3
Solomon Islands	10.1	15.0	19.0	22.6	24.8	+ 25.2
Western Samoa	4.3	2.1	0.3	0.4	0.1	- 60.9
Tonga	0.2	0.3	0.6	0.4	0.2	+ 0.0
Tuvalu	0.4	0.1	0.2	0.2	0.1	- 29.3
Vanuatu	16.8	11.9	11.3	10.9	6.7	- 20.5
Total ...	582.5	349.0	350.8	357.8	366.8	- 10.9
% share of total EU imports[1]	0.13	0.08	0.07	0.07	0.08	- 12.5

continued on next page

11.4 EU EXTERNAL TRADE WITH THE PACIFIC ACP COUNTRIES (continued)

Survey item	1989	1990	1991	1992	1993	1989/93
	Mio ECU					% p.a.
Exports by the EU to the Pacific ACP countries						
Fiji	28.1	29.4	23.7	28.7	21.8	- 6.1
Kiribati	1.4	1.4	1.0	3.9	1.0	- 8.1
Papua New Guinea	101.8	91.3	51.6	66.2	39.1	- 21.3
Solomon Islands	4.1	4.0	4.5	6.2	4.2	+ 0.6
Western Samoa	2.2	4.2	4.0	4.5	5.0	+ 22.8
Tonga	5.2	2.4	1.9	1.3	2.7	- 15.1
Tuvalu	0.6	0.9	0.6	0.5	1.2	+ 18.9
Vanuatu	43.6	44.3	21.4	23.6	43.1	- 0.3
Total ...	187.0	177.9	108.7	134.9	118.1	- 10.9
% share of total EU exports[1]	0.04	0.04	0.03	0.03	0.02	- 14.2
Volume of EU trade with the Pacific ACP countries						
Fiji	137.7	122.8	143.4	142.0	140.7	+ 0.5
Kiribati	5.6	3.0	2.2	4.2	2.6	- 17.5
Papua New Guinea	538.7	315.9	250.1	275.9	253.5	- 17.2
Solomon Islands	14.2	19.0	23.5	28.8	29.0	+ 19.5
Western Samoa	6.5	6.3	4.3	4.9	5.1	- 5.9
Tonga	5.4	2.7	2.5	1.7	2.9	- 14.4
Tuvalu	1.0	1.0	0.8	0.7	1.3	+ 6.8
Vanuatu	60.4	56.2	32.7	34.5	49.8	- 4.7
Total ...	769.5	526.9	459.5	492.7	484.9	- 10.9
% share of total volume of EU trade[1] ...	0.09	0.06	0.05	0.05	0.05	- 13.5
EU balance of trade in goods with the Pacific ACP countries						
Fiji	- 81.5	- 64.0	- 96.0	- 84.6	- 97.1	X
Kiribati	- 2.8	- 0.2	- 0.2	+ 3.6	- 0.6	X
Papua New Guinea	- 335.1	- 133.3	- 146.9	- 143.5	- 175.3	X
Solomon Islands	- 6.0	- 11.0	- 14.5	- 16.4	- 20.6	X
Western Samoa	- 2.1	+ 2.1	+ 3.7	+ 4.1	+ 4.9	X
Tonga	+ 5.0	+ 2.1	+ 1.3	+ 0.9	+ 2.5	X
Tuvalu	+ 0.2	+ 0.8	+ 0.4	+ 0.3	+ 1.1	X
Vanuatu	+ 26.8	+ 32.4	+ 10.1	+ 12.7	+ 36.4	X
Total ...	- 395.5	- 171.1	- 242.1	- 222.9	- 248.7	X

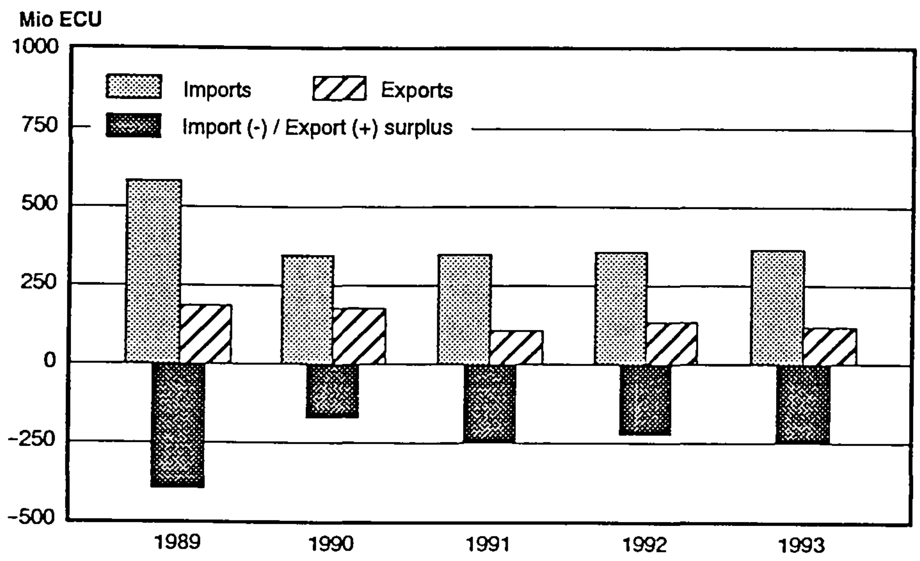
1) Excluding intra-EU.

TRADE BY THE PACIFIC ACP COUNTRIES WITH THE EUROPEAN UNION

Although trade by the Pacific ACP countries is still very much dependent upon the Lomé Agreements, the focus is shifting more and more towards neighbouring Asian countries, a trend which is likely to continue in the future. In addition, the move away from 'administrative' and 'traditional' export products towards more market-oriented goods has led to a reduction in their trade in goods with Europe. The Solomon Islands is the only country where the export trade with Europe in non-traditional products (tinned tuna) has grown.

As Table 11.3 shows, in 1985 the EU countries were still the destination for almost half of all exports from Papua New Guinea and Kiribati, over 30% of Fijian exports and a quarter of those from the Solomon Islands and Vanuatu. By 1993, the EU was only of any great importance as an export destination for Vanuatu (36%), Fiji (25%), Kiribati (25%) and the Solomon Islands (13%). The largest falls in total exports to the EU between 1985 and 1993 were recorded by Western Samoa, Papua New Guinea, the Solomon Islands, Kiribati and Fiji. During this whole period, Tonga's exports to the EU were negligible, and although Vanuatu did increase its proportion of exports to the EU, this still only accounted for a very small percentage (1.8%) of total exports by the Pacific ACP countries to the EU Member States.

11.2 EU EXTERNAL TRADE WITH THE PACIFIC ACP COUNTRIES



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According to Eurostat/Comext data, the Pacific ACP countries exported ECU 367 million (USD 430 million) worth of goods to the EU in 1993, 2.5% more than the previous year. In value terms, Papua New Guinea was the largest exporter with over 58% of the total, followed by Fiji (32.4%) and the Solomon Islands (6.8%). Vanuatu, Kiribati, Tonga, Tuvalu and Western Samoa combined provided just 2.5% of exports.

However, the Pacific ACP countries only claim a very small share of total EU trade. A league table of all 69 ACP countries in terms of their imports to the EU (average values for the years from 1989 to 1993) shows that only Papua New Guinea is up among the frontrunners in 17th position, and next-placed Fiji is down in 34th.

This fall in exports to the EU is mirrored by the downward trend in goods imported by the Pacific ACP countries from the EU Member States. In 1993, these island nations imported ECU 118 million worth of goods from the EU, approximately 13% less than the previous year. These imports were mainly in the form of machinery and electrical equipment and appliances, as well as ships and aircraft and parts thereof.

This fall in total trade in goods with the EU applies not just to the Pacific ACP countries but to all the ACP countries. Although these countries enjoy certain advantages in their trade with the EU, their share of the EU market has fallen by half to less than 4% since the first Lomé Convention 20 years ago. After 15 months of negotiation, the revision of the 4th Lomé Convention (1990-2000) was adopted in mid-1995. This provides for a 16% reduction in EU import duties on agricultural products, and grants the ACP countries an ECU 14,600 million aid package (approximately DM 26,400 million) over the next five years - over one thousand million ecus less than had been requested.

11.5 TRADE BY THE PACIFIC ACP COUNTRIES WITH THE EU, BY CATEGORY*)
(%)

SITC	Category	Imports		Exports	
		1990	1993	1990	1993
1	Meat and meat preparations	2	3	.	.
3	Fish and fish preparations	.	.	6	3
4	Cereals and cereal products	.	1	.	.
5	Vegetables and fruit	1	.	.	.
6	Sugar, sugar preparations and honey.	.	.	19	27
7	Coffee, tea, cocoa, spices and products thereof	.	.	23	17
9	Various edible products and preparations	1	1	.	.
11	Beverages	1	2	.	.
22	Oilseed and oleaginous fruits	.	.	4	3

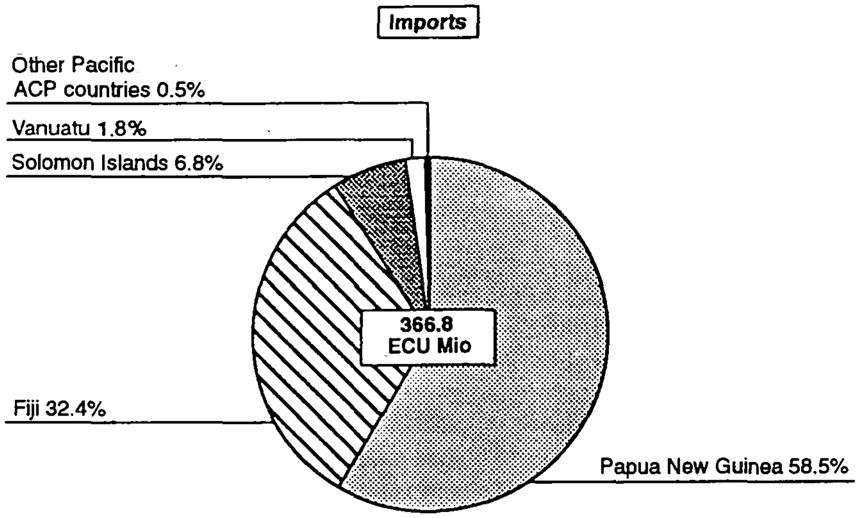
continued on next page

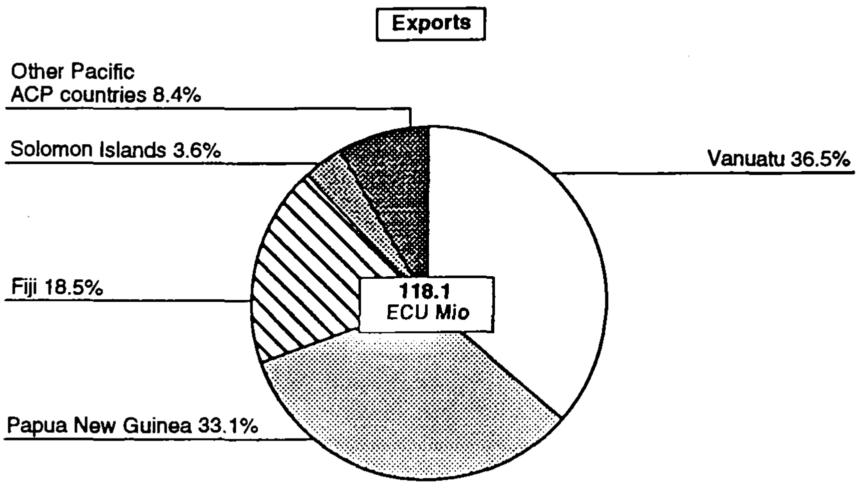
11.5 TRADE BY THE PACIFIC ACP COUNTRIES WITH THE EU, BY CATEGORY*)
(%) (continued)

SITC	Category	Imports		Exports	
		1990	1993	1990	1993
23	Crude rubber (including synthetic rubber)	.	.	1	.
28	Ores and metal scrap	.	.	30	22
33	Petroleum, petroleum products and related materials	.	1	.	.
42	Vegetable fats and oils, crude etc.	1	2	13	23
51	Organic chemicals	1	1	.	.
52	Inorganic chemicals	1	1	.	.
54	Medical and pharmaceutical products	1	2	.	.
55	Fragrant oils etc., polishes etc.	1	1	.	.
58	Plastics in non-primary forms	1	1	.	.
59	Other chemical products and materials	1	1	.	.
62	Other rubber goods	1	1	.	.
64	Paper and paperboard, articles of paper pulp etc.	1	1	.	.
65	Textile yarn, fabrics and other made-up articles	1	1	.	.
66	Non-metallic mineral manufactures	2	1	.	.
67	Iron and steel	1	1	.	.
69	Other metal products	4	3	.	.
71	Power-generating machinery and equipment	1	8	.	.
72	Specialized machinery for particular industries	5	7	.	.
74	General industrial machinery and equipment	3	5	.	.
75	Office machinery and data-processing machinery	.	1	.	.
76	Telecommunications equipment etc.	4	6	.	.
77	Other electrical machinery, apparatus and appliances	2	3	.	.
78	Road vehicles (including air-cushion vehicles)	23	17	.	.
79	Other transport equipment	29	19	.	.
84	Clothing and accessories	.	1	.	1
87	Other measuring and test equipment etc.	2	2	.	.
89	Miscellaneous manufactured articles	2	3	.	.
91	Postal goods	1	1	.	.
93	Special transactions	1	.	.	.
	All goods ...	100	100	100	100

*) Data from trading partners.

11.3 EU IMPORTS AND EXPORTS OF GOODS FROM/TO THE PACIFIC ACP COUNTRIES IN 1993
% shares





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The percentage values given in Table 11.5 highlight the sectoral breakdown of trade with the EU. Since up-to-date data from the national statistical sources in the Pacific countries are not yet available, the data used here are those collected by Unctad on the EU countries. For these statistics, the corresponding EU exports to the countries of the South Pacific were equated with the latter's imports and vice versa. The striking concentration on just a few product categories is a further indication of the continued lack of diversification in the economy. Imports have shown little change between 1990 and 1993, the only major difference being in the motor vehicle sector, where the drop in these much-coveted items was more than likely related to an increase in transactions involving customs fraud. Imports of road vehicles, for example, dropped from 23% in 1990 to 17% in 1993, while the figure for other transport equipment fell from 29 to 19% over the same period. On the other hand, imports of power-generating machinery and equipment rose from 1% in 1990 to 8% in 1993.

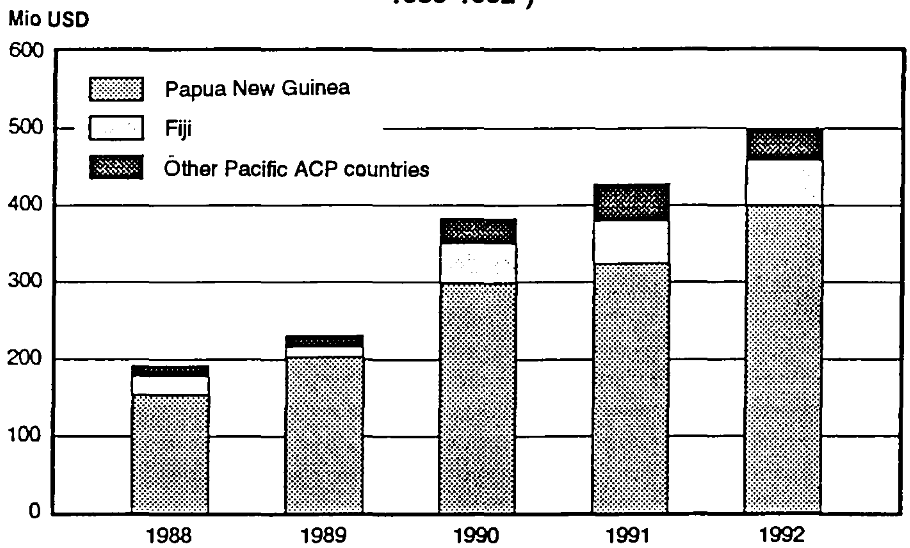
The changes in the percentages recorded for the export branches are comparatively more pronounced. Exports of sugar, sugar preparations and honey were up from 19% in 1990 to 27% in 1993, while vegetable fats and oils rose by 10% from 13% in 1990 to 23% in 1993. Exports of coffee, tea, cocoa, spices and products thereof fell by 6% during the period in question from 23 to 17%, as did the proportion of ores and metal scrap, which was down from 30 to 22%.

12. FOREIGN INVESTMENT

GENERAL SURVEY

Up until now, major investment in the islands of the South Pacific has been the exception rather than the rule. The fact that the subsistence economy is still widespread (providing a livelihood for around 80% of the population of the Solomon Islands, for example) plus the small scale of these island economies, which are largely oriented towards minimally capital-intensive activities in the primary sector, has meant that fixed capital formation is concentrated mainly in infrastructure. The national budgets have accorded top priority to extending seaports and airports, completing major road links, the energy and water supply network and telecommunications.

12.1 FOREIGN DIRECT INVESTMENT IN THE PACIFIC ACP COUNTRIES 1988-1992*)



*) Excl. Kiribati and Tuvalu.

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The very modest private sector (apart from in Fiji) has concentrated its efforts on setting up small enterprises in the handicraft and construction sectors, with investment being channeled mainly into the machinery and vehicles required. Signs are now emerging of investment in larger enterprises involved in agricultural and forestry plantations, fishing and - particularly in Papua New Guinea - mining. The same applies for tourism, where greater importance is being attached to the construction of hotels and holiday centres. Larger enterprises are only now beginning to make an appearance in manufacturing industry, with the slowly-budding initiatives being restricted to the food and timber industries, textiles and clothing, footwear and car accessories. The revelation contained in a current OECD report that total investment in the Pacific countries actually fell by almost 50% between 1989 and 1993 speaks volumes about the difficulty of the situation.

12.1 FOREIGN DIRECT INVESTMENT IN THE PACIFIC ACP COUNTRIES (Mio USD)

Country	1988	1989	1990	1991	1992	1992 total
Fiji	24	13	50	55[1]	58	462[1]
Papua-New Guinea	154	203	300	325	400	2 378[1]
Solomon Island	3	6	13	19	12	92[2]
Western Samoa	.	.	7	3	2	13[2]
Tonga	0.1	0.1	0.1	0.2	1	.
Vanuatu	11	9	13	26	27	162[2]
Total[3] ...	192	231	383	428	500	4 000[1]
Worldwide	159 101	196 132	207 912	162 124	158 413	1 948 104
Pacific ACP countries' % share of worldwide foreign direct investment	0.1	0.1	0.2	0.3	0.3	0.2

1) Estimates: 1989 total plus inflows.
2) Estimates: Accumulated inflows since 1970.
3) Insofar as data are available.

Naturally enough, this raises the question of foreign investment, which generally acts as a stimulus to more dynamic fixed capital formation in developing countries, but in this respect too the amount of investment is still very meagre.

There is little likelihood that this low percentage of foreign investment will change much, at least in the foreseeable future. The IMF recently issued an express warning that private investors were becoming increasingly wary of entering into commitments in Fiji, Papua New Guinea, the Solomon Islands and Vanuatu because of the political, constitutional or internal security situation in these countries. At the same time, however, it should not be forgotten that certain efforts have also been made to improve the climate for investment. These include the establishment of special zones or the increased use of double taxation agreements, as was recently the case between Fiji and South Korea.

Rising wages and the proliferation of wage disputes in countries such as Fiji hamper foreign investment, as do the shortage of labour and the inadequate infrastructure. Another major impediment is rampant bureacracy, particularly in Papua New Guinea. According to a 1994 survey of Australian mining companies, investment conditions in Papua New Guinea were worse even than in China, Vietnam or the Russian Federation. Fiji's constitution contains restrictive clauses governing land sales and other property rights. Environmental protection has also recently assumed greater importance in the Pacific islands. Conditions which have often already been imposed by the authorities are - at least on paper - starting to make their presence felt in the areas of tourism, mining and tree-felling, and when choosing sites for industry. Complicated and abstruse authorisation procedures, unresolved property rights, problematic rights to land use and restrictive conditions regarding the employment of foreign labour are some of the thornier issues obstructing foreign investment projects.

German direct investment in the Pacific ACP countries has been limited to Papua New Guinea in 1990/91, and there are as yet no exact data available on this. The French are become increasingly involved in the hotel sector through groups such as Club Med. The British enterprise 'Consolidated Goldfields' has a 25% stake in the Porgera gold mine in Papua New Guinea and British Petroleum (BP) has a majority holding in the country's Hides onshore gas and oil field.

In the 1960s, the Australian government amended its policy towards its former colony of Papua New Guinea and started promoting the economic development of the country through substantial start-up investment. The financial transfers were channeled mainly into developing an administrative apparatus, setting up an educational system and measures to improve the infrastructure. At the same time, Australian enterprises stepped up their investment in sectors such as the mining industry.

Generally speaking, foreign investment in tourism is seen as particularly important for the future development of the Pacific countries. Relevant studies have, however, shown that the actual growth effects produced by this sector should not be overestimated. Economic analyses must take into account the fact that 50 to 80% of the money brought in by this industry either flows straight back out again or has to be spent on the sector itself, for example on the import of foodstuffs. A survey carried out in this field bemoaned the denigration of the local culture, the fact that the native population was only employed to do menial work, and that 20% of the hotels were Japanese-owned while the remaining 80% were divided among six multinational concerns.

INCREASED INTEREST BY ASIAN ENTREPRENEURS

Asian - and particularly Japanese - investors have recently started to step up investment in the Pacific islands. By 1993, Japanese investors had sunk over USD 560 million in the Pacific ACP countries, focusing on Papua New Guinea (43%), Fiji (31%) and Vanuatu (25%). This investment flowed into 227 projects in Papua New Guinea, 131 in Fiji and 65 in Vanuatu. In addition, ten investment projects were carried out in Western Samoa and six on the Solomon Islands between 1981 and 1992. While Japanese investment has recently waned in Papua New Guinea and Fiji, Vanuatu has been acting as a stronger magnet for Japanese capital.

12.2 JAPANESE DIRECT INVESTMENT IN OCEANIA*)

Survey item	Unit	Australia	New Zealand	Papua New Guinea	Fiji	Vanuatu	Oceania - total	Total
Amount of investment								
1990	Mio USD	3 669	231	9	47	4	4 166	56 911
1991	Mio USD	2 550	236	10	34	0	3 278	41 584
1992	Mio USD	2 150	67	5	32	17	2 406	34 138
1993	Mio USD	1 904	34	3	1	17	2 035	36 025
1951/93 cumulative	Mio USD	22 667	1 262	244	176	142	25 817	422 555
Projects								
1993	Number	124	15	4	2	1	168	3 488
1951/93 cumulative	Number	3 319	442	227	131	65	4 770	75 029
Proportion of total Japanese investment								
1993	%	*5.3*	*0.1*	*0.0*	*0.0*	*0.0*	*5.6*	*100*
1951/93 cumulative	%	*5.4*	*0.3*	*0.1*	*0.0*	*0.0*	*6.1*	*100*

*) Tax years.

Even though the amount invested in the Pacific ACP countries is less than 1% of total Japanese foreign investment, the Japanese are now at the forefront of direct investment in the local fishing and tourism industries. They have their own fish canneries on both Fiji and the Solomon Islands, an electrical car accessories assembly plant on Western Samoa and a beef-processing factory in Vanuatu (tinned and frozen goods). They are also heavily involved in the tourist sector, owning most of the biggest and best hotels and running large hotel complexes in the Solomon Islands, for example.

Entrepreneurs from Hong Kong and Singapore are also beginning to invest heavily in hotel complexes. The Chinese nations (Hong Kong, China and Taiwan) are also behind an increasing number of infrastructure-related initiatives (telecommunications, services, information), one of two fields in which South Korea is also involved (the other being the textile industry). There is also a strong Chinese influence behind tree-felling in Papua New Guinea and the Solomon Islands - Malaysia being the main actor here - and wood processing is another activity of some interest to foreign investors.

SELECTED EXAMPLES

The opportunities and problems surrounding foreign investment in the Pacific ACP islands are best illustrated by selected examples.

The lure of deep-sea fishing and fish-processing for investors in the Solomon Islands

The Japanese company Solomon Taiyo Ltd has set up a successful operation in the Solomon Islands fisheries sector, with tuna fish being tinned under a joint venture for export to the United Kingdom. The enterprise also processes fish in a curing plant. Abundant catches and high tuna fish prices led to a substantial increase in production in 1994, and this is expected to continue into 1995. On the basis of these projections, the company plans to take on 200 more workers. In 1994, the factory processed around 20,000 t of raw fish and raked in export earnings of around USD 34 million.

Of all the foreign fishing nations operating in the waters off the Solomon Islands, Japanese and, to an ever-greater extent, Taiwanese companies provide the largest contingent. This is reflected in the decision by the Foreign Investment Board to allocate the Taiwanese Ting Hong Company an annual quota of 4,000 t of tuna fish for 1995, most of which is destined for the Japanese sashimi market. This fishing company, which is currently operating in Micronesia, plans to invest in refrigeration and transport facilities.

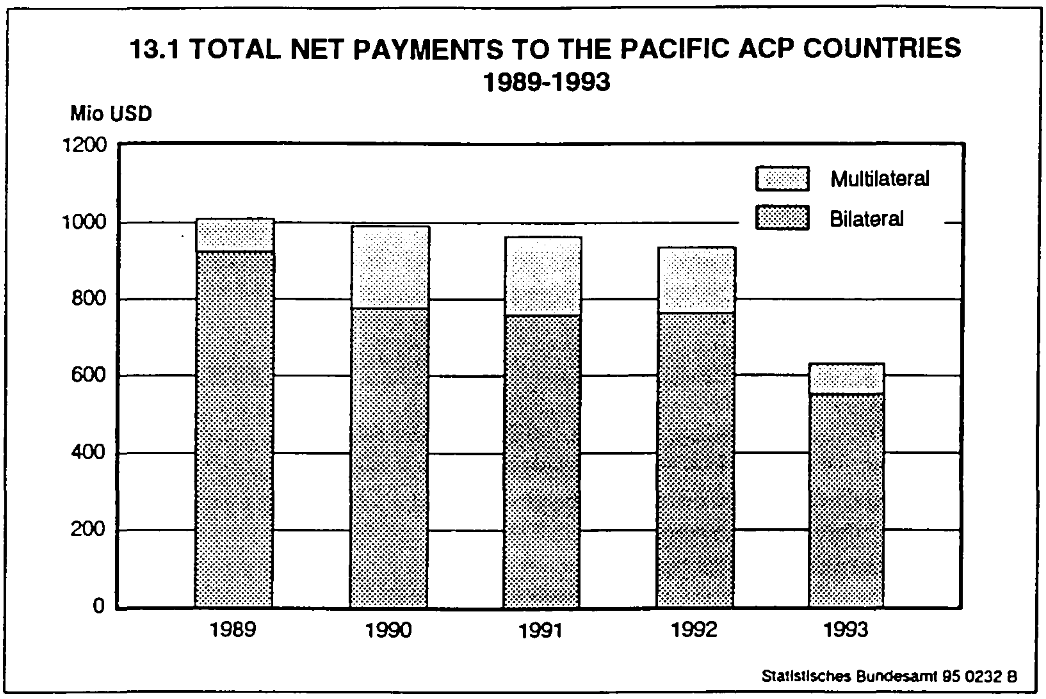
The European Union also provides financial aid to support the development and extension of the infrastructure required for the fisheries sector. Another project supported by the Japanese government is helping to develop the fish market in the national capital, Honiara. The first phase of this project was completed at the beginning of 1995 at a cost of around USD 2.4 million and included a quay and loading/unloading ramp for fishing boats. Negotiations on a follow-up project are currently under way. Consideration is also being given to the development of shrimp-farming, which has until now only serviced domestic consumption.

Success in the assembly of electrical car accessories in Western Samoa

The last 30 years have seen the emergence in Western Samoa of a modest industrial sector, which is primarily based on the processing of agricultural products (including coconut oil and creamed coconut, soap, cigarettes, beer, bakery products and paint). In order to promote and diversify this sector of the economy, the government has, for some years, been trying to win investors over to the idea of setting up light industries. The investment incentives include tax exemption and duty-free imports of raw materials for 10 years. Other carrots held out by Western Samoa are its low wage costs and preferential access to the Australian and New Zealand markets through the regional Sparteca agreement. In 1992, the Japanese company, Yazaki, started to assemble electrical car accessories for the export market. Production has since taken off, and in 1993 it was estimated that this enterprise accounted for 18.5% of the total value of industrial production and 3.5% of the country's GDP. With a labour force of around 2 000, the company is also now the country's largest non-public-service employer. There are plans to further increase production, even if doubts do still persist about the ultimate impact of high transport costs.

13. OFFICIAL DEVELOPMENT ASSISTANCE

Development assistance is indispensable in helping these South Pacific countries to confront the problems facing them, since although most of them have a wealth of natural resources they are poor in terms of capital, level of education and economic know-how. It should also, however, be pointed out in this context that the eight countries of the South Pacific receive a disproportionately high share of the assistance given to developing countries. During the period from 1989 to 1992, official development assistance was USD 301 per head of population in Kiribati, USD 138 in the Solomon Islands and USD 233 in Vanuatu. The corresponding share of these countries' GDP from 1989-1993 was 51% (Kiribati), 16% (Solomon Islands) and 20% (Vanuatu). In the meantime, the donor countries have begun to insist that in order to benefit from future aid, the recipients need to assume a more effective share of the costs. The Australian Prime Minister, Paul Keating, who is a figure of some considerable influence in this field, stressed this requirement back in 1994 at the meeting of the South Pacific Forum in Brisbane.



In so saying, there has been a slight shift in emphasis, caused by the recent lull in the world economy coupled with changes both in the priorities defined by the donor countries and in the situation in the Pacific ACP countries themselves. While payments in the form of non-repayable grants and cheap credit are starting to dry up, greater importance is being attached to technical assistance and other forms of consultancy. There is also a gradual move towards using foreign investment to promote economic development.

An analysis of the period from 1989 to 1993 shows that there has actually been a clear reduction in total financial payments made by the donor countries to the Pacific ACP countries. Most payments were made under bilateral agreements, and while these fell by an annual average of 12.1% from USD 924 million in 1989 to just USD 551 million in 1993, the reduction in multilateral capital transfers was less pronounced at just -1.8% per annum from USD 86.1 million to USD 80.1 million. This meant that over the whole period total net receipts fell by 11.1% per year from USD 1,010 million to USD 631 million.

13.1 ORIGIN AND SECTORAL BREAKDOWN OF DEVELOPMENT ASSISTANCE FOR THE PACIFIC ACP COUNTRIES, 1989-93*)

Survey item	1989	1990	1991	1992	1993	1989/1993[1)]
		Mio USD				
Total DAC net payments	1 010.4	990.7	964.6	935.5	631.2	- *11.1*
Bilateral	924.3	776.0	757.5	763.1	551.1	- *12.1*
DAC countries						
Australia	447.7	395.4	573.8	572.3	391.3	- *3.3*
Belgium	2.9	30.8	- 6.8	10.9	0.4	- *39.1*
Denmark	0.0	0.0	0.0	0.0	- 0.8	.
Germany	56.4	7.2	- 8.0	- 6.4	- 6.2	.
Finland	- 0.5	0.5	0.4	- 0.7	0.1	.
France	34.8	103.8	8.0	- 26.4	10.4	- *26.1*
United Kingdom	206.6	48.2	40.8	35.4	10.1	- *53.0*
Italy	7.8	0.0	- 0.2	0.2	0.0	- *100.0*
Japan	154.2	149.7	125.3	135.4	110.2	- *8.1*
Canada	- 1.9	- 1.4	0.0	0.2	0.1	.
New Zealand	18.5	25.4	20.6	27.0	29.5	+ *12.4*
Netherlands	- 5.0	9.4	- 0.1	3.2	1.3	.
Austria	0.5	0.6	0.4	0.5	0.2	- *20.5*
Sweden	0.0	0.0	0.9	0.2	0.2	.

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13.1 ORIGIN AND SECTORAL BREAKDOWN OF DEVELOPMENT ASSISTANCE FOR THE PACIFIC ACP COUNTRIES, 1989-93*) (continued)

Survey item	1989	1990	1991	1992	1993	1989/1993[1)]
		Mio USD				
Switzerland	0.3	3.4	0.4	0.3	0.3	*0.0*
United States	2.0	3.0	2.0	11.0	4.0	+ *18.9*
Multilateral	86.1	214.7	207.1	172.4	80.1	- *1.8*
Total ODA, net	548.7	662.2	630.9	703.3	561.1	+ *0.6*
Total ODA loans, gross	60.2	109.3	124.6	112.9	86.1	+ *9.4*
Total grants	502.3	572.2	521.9	607.3	501	- *0.1*
		ODF by sector of development (%)				
Education	*4.4*	*7.3*	*17.4*	*31.4*	*23.8*	+ *52.6*
Health	*11.4*	*7.9*	*9.6*	*7.9*	*6.5*	- *13.1*
Other social infrastructure	*2.1*	*14.6*	*6.5*	*16.9*	*6.1*	+ *30.3*
Water supply, sewerage	*0.8*	*3.9*	*1.5*	*0.3*	*3.1*	+ *42.9*
Energy	*2.3*	*1.0*	*16.6*	*1.8*	*4.8*	+ *20.5*
Telecommunications	*13.9*	*3.0*	*1.3*	*3.5*	*3.9*	- *27.3*
Transport	*19.3*	*22.8*	*16.3*	*10.5*	*28.3*	+ *10.1*
Agriculture	*37.0*	*15.8*	*13.3*	*5.5*	*15.9*	- *19.1*
Mining	*0.0*	*0.0*	*0.0*	*0.1*	*1.0*	.
Manufacturing industry	*0.8*	*0.3*	*1.9*	*1.3*	*1.1*	+ *10.7*
Distributive trades, banking, tourism	*0.5*	*9.8*	*0.4*	*5.0*	*1.4*	+ *28.8*
Multi-sectoral projects	*3.6*	*5.0*	*3.8*	*6.9*	*2.6*	- *7.8*
Programme aid	*3.6*	*8.1*	*11.6*	*8.1*	*1.6*	- *18.2*
Food aid	*0.6*	*0.0*	*0.0*	*0.0*	*0.0*	- *100*
Disaster aid	*0.0*	*0.3*	*0.0*	*0.1*	*0.0*	± *0.0*
		Mio USD				
Reference indicators						
DAC countries						
Public and private transfers, gross						
Commercial credit	325.4	82.5	211.1	215.7	55.0	- *35.9*
Total export credit	244.7	26.0	157.3	109.9	11.8	- *53.1*
Private export credit	236.6	22.3	82.6	59.8	0.6	- *77.6*

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13.1 ORIGIN AND SECTORAL BREAKDOWN OF DEVELOPMENT ASSISTANCE FOR THE PACIFIC ACP COUNTRIES, 1989-93*) (continued)

Survey item	1989	1990	1991	1992	1993	1989/1993[1]
		Mio USD				
Public and private transfers, net						
Commercial credit	268.6	24.8	148	157.8	- 8.1	.
Total export credit	213.3	0.1	126	86.2	- 4.1	.
Private sector, net	421.1	275.2	215.5	183.9	111.7	- *28.2*
Direct investment	154.2	272.6	106.1	41.5	82.2	- *14.6*
Portfolio investment	46.7	- 11.6	41.5	89.7	37.4	- *5.4*
Export credit	220.5	14.3	67.9	52.6	- 7.9	.
Market loans						
Change in bank debts	40.0	- 154.0	5.0	- 115.0	- 47.0	.
All donors						
OOF gross	126.2	144.7	204.7	132.1	56.7	- *18.1*
OOF net	40.8	52.7	117.8	47.1	- 40.8	.
TC grants	133.3	145.3	158	174.9	174.5	+ *7.0*
ODA	775.7	727.3	971	1171.1	930.5	+ *4.7*

*) DAC = Development Assistance Committee; ODA = Official Development Assistance; ODF = Official Development Finance; OOF = other official flows; TC = technical cooperation.

In view of their geographical proximity and historical ties with the region, it is hardly surprising that the largest contributions flow in from Australia, Japan and New Zealand. Australia alone still provided USD 391 million in 1993 (down an average 3.3% per year from 1989), Japan contributed USD 110 million (-8% per annum) and New Zealand USD 29.5 million (+12% per annum). France was in fourth position with USD 10.4 million (-26% p.a.) and the United Kingdom fifth on USD 10.1 million (-53% p.a.).

While the transfers from Germany were still positive in 1989 (+USD 56.4 million), they have been outweighed by repayments since 1991. The USD 6.2 million flowing back into Germany in 1993 is an indirect result of Germany's new preoccupations in eastern Europe.

The figures for net Official Development Assistance have, by and large, remained constant. With an average annual growth rate of 0.6% between 1989 and 1993, net development assistance was USD 561 million in 1993, although the figure had been up at USD 703 million in 1992.

Gross loans rose by 9.4% between 1989 and 1993 from USD 60 million to USD 86 million, although here too the figure had been much higher in 1992 (USD 113 million) and 1991 (USD 125 million). Grants, which make up by far the largest part of ODA, remained at much the same level (USD 502 million in 1989 as against USD 501 million in 1993), having peaked at USD 607 million in 1992.

The main focus of ODF aid in 1993 was the transport sector (28% of total payments), followed by education (24%), agriculture (16%) and health (7%). When set alongside the equivalent 1989 values, it can be seen that the emphasis has clearly shifted, as 37% of the payments then flowed into the agricultural sector, 19% into transport, 14% went on telecommunications and 11% on health.

During the reference period, the spotlight moved towards education, with planned expenditure in this field increasing annually by an average 53%. The same upward trend was recorded for the water supply and sewerage sector (+43%) and the distributive trades, banking and tourism (+29%).

A more up-to-date look at official development assistance during the period from February to May 1995 reveals the following picture:

It is noticeable that only three countries make any significant contributions. Australia stands head and shoulders above the rest, its contribution of USD 181 million making up the bulk of the USD 203 million in total development assistance offered to the Pacific ACP countries. Papua New Guinea was the main beneficiary, receiving USD 175 million of the total.

Japan also made its presence felt in the region with USD 21 million in development assistance. The largest single slice of this total went to Tonga, with USD 7.6 million being poured into a programme to build and extend the road network on the Tongatapu archipelago. USD 4.9 million were also spent on improving the hospital infrastructure in Vanuatu and a further USD 2.5 million went on the development of a hydroelectric power station, also in Vanuatu.

The Netherlands also feature among the donor countries with a contribution of USD 0.9 million. Of this, USD 0.8 million went to Kiribati and USD 0.1 million to the Solomon Islands. Finland also makes an appearance, albeit with a modest sum of less than USD 50 000.

A look at the recipient countries over this period in 1995 reveals that Papua New Guinea is way ahead of the field in terms of absolute figures. This, the region's largest country in terms of surface area and population, received a total influx of USD 175 million. There then followed, in descending order, Vanuatu (USD 11.4 million), Tonga (USD 7.8 million), the Solomon Islands (USD 4.2 million), Western Samoa (USD 3.8 million), Kiribati (USD 0.8 million) and Fiji (USD 0.4 million). There are no figures available for Tuvalu.

13.2 OFFICIAL DEVELOPMENT ASSISTANCE BY SECTOR AND COUNTRY, FEBRUARY-MAY 1995

Survey item	Fiji	Kiribati	Papua New Guinea	Solomon Islands	Western Samoa
	Mio USD				
All sectors	0.4	0.8	174.5	4.2	*3.8*
Social infrastructure and services	0.4	-	1.6	0.4	*1.5*
Education, training, science	-	-	0.2	0.4	*1.0*
Health	-	-	1.4	-	*0.4*
Other	0.4	-	-	-	*0.1*
Economic infrastructure and services	-	-	0.8	3.6	*2.3*
Transport, shipping	-	-	0.7	3.6	-
Communications	-	-	-	-	*2.3*
Other	-	-	0.1	-	-
Production	-	-	0.1	0.1	-
Agriculture	-	-	0.1	0.1	-
Not broken down into sectors	-	0.8	172.0	0.1	-
Programme aid	-	-	172.0	-	-
Food aid	-	0.3	-	-	-
Disaster aid	-	0.5	-	-	-
Other	-	-	-	0.1	-
Per capita values (USD)	0.52	10.3	43.2	12.1	*22.9*
Donor countries - total	0.4	0.8	174.5	4.2	*3.8*
Australia	-	-	174.5	0.5	*1.5*
Japan	0.4	-	-	3.6	*2.3*
Netherlands	-	0.8	-	0.1	-

Survey item	Tonga	Tuvalu	Vanuatu	Total	
	Mio USD				%
All sectors	7.8	-	11.4	202.9	*100*
Social infrastructure and services	0.2	-	4.9	9.0	*4.4*
Education, training, science	0.1	-	-	1.6	*0.8*
Health	-	-	4.9	6.7	*3.3*
Public administration	0.1	-	-	0.1	*0.0*
Other	-	-	-	0.5	*0.2*

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13.2 OFFICIAL DEVELOPMENT ASSISTANCE BY SECTOR AND COUNTRY, FEBRUARY-MAY 1995 (continued)

	Tonga	Tuvalu	Vanuatu	Total	
	Mio USD				%
Economic infrastructure and services	7.6	-	2.5	16.8	*8.3*
Transport, shipping	7.6	-	-	11.9	*5.9*
Communications	-	-	-	2.3	*1.1*
Energy	-	-	2.5	2.5	*1.2*
Other	-	-	-	0.1	*0.0*
Production	-	-	4.0	4.2	*2.1*
Agriculture	-	-	-	0.2	*0.1*
Forestry	-	-	4.0	4.0	*2.0*
Not broken down into sectors	-	-	-	172.9	*85.2*
Multi-sectoral projects	-	-	-	0.0	*0.0*
Programme aid	-	-	-	172.0	*84.8*
Food aid	-	-	-	0.3	*0.1*
Disaster aid	-	-	-	0.5	*0.2*
Other	-	-	-	0.1	*0.0*
Per capita values (USD)	79.6	-	71.3	89.0	-
Donor countries - total	7.8	0.0	11.4	202.9	*100*
Australia	0.2	-	4.0	180.7	*89.1*
Japan	7.6	-	7.4	21.3	*10.5*
Netherlands	-	-	-	0.9	*0.4*

When broken down into per capita values, Tonga and Vanuatu top the table with USD 79.6 and USD 71.3 respectively, followed by Papua New Guinea (USD 43.2) Western Samoa (USD 22.9), the Solomon Islands (USD 12.1) and Kiribati (USD 10.3). Trailing far behind, on account of the relative superiority of its economic structure, comes Fiji with a per capita figure of just USD 0.52.

Apart from in Papua New Guinea, most of these resources are earmarked for specific purposes. Around USD 60 million of the official development assistance to the eight Pacific countries is attached to concrete projects. Kiribati is the only country where the total sum of USD 0.8 million has not all been spent on projects. In Fiji, for example, the USD 0.4 million in aid provided by the Japanese government was used for a library. The total amounts made available to Tonga and Vanuatu (USD 7.8 million and USD 11.4 million respectively) were intended for clearly-defined individual projects, as was the USD 3.8 million received by Western Samoa. In all USD 4.1 million out of the USD 4.2 million received by the Solomon Islands went the same way. In Papua New Guinea too, some of the expenditure has been earmarked for specific items, such as the USD 1.4 million which went to the health sector for malaria prevention and a child care programme. There are, however, no conditions governing the use of the main item of USD 172 million, which means that the value of official development assistance resources tied to specific projects is less than that to which no strings are attached.

Since Lomé I some ECU 284.8 million has been made available to the Pacific States through the European Investment Bank, either from its own resources or from risk capital resources under its management drawn from the European Development Fund. The larger and more populous island states, Fiji and Papua New Guinea, have naturally enough attracted the majority of bank funding (PNG ECU 171.1 million and Fiji ECU 96.6 million). In these two countries the Bank's activities have concentrated on infrastructure developments (especially in the power, telecommunications and transport sectors) as well as agro-industrial and mining operations). The Bank also frequently uses suitable local development banks as a conduit to make its funds available to small and medium sized enterprises, mainly in the private sector. This approach has proved particularly appropriate in the smaller Pacific States where these intermediary institutions with their knowledge of local markets and enjoying close contacts with the private sector are well placed to identify eligible small projects which are typically to be found in sectors such as light agro-industry, crafts, fishing and tourism.

13.3 STABEX COMPENSATORY PAYMENTS BY PRODUCT IN THE PACIFIC ACP COUNTRIES, 1990-94 ECU 1 000

Product	Year	Kiribati	Papua New Guinea	Solomon Islands	Western Samoa	Tonga	Tuvalu	Vanuatu	Total
Bananas	1990	-	-	-	-	518	-	-	518
	1991	-	-	-	-	476	-	-	476
Coffee	1990	-	7 564	-	-	-	-	-	7 564
	1991	-	8 695	-	-	-	-	-	8 695
	1992	-	12 736	-	-	-	-	-	12 736
	1993	-	7 879	-	-	-	-	-	7 879
Cocoa	1990	-	-	363	358	-	-	-	721
	1991	-	-	183	329	-	-	-	512
	1992	-	-	41	-	-	-	-	41
	1993	-	-	599	-	-	-	-	599

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13.3 STABEX COMPENSATORY PAYMENTS BY PRODUCT IN THE PACIFIC ACP COUNTRIES, 1990-94 (continued)
ECU 1 000

Product	Year	Kiribati	Papua New Guinea	Solomon Islands	Western Samoa	Tonga	Tuvalu	Vanuatu	Total
Cocoa products	1990	-	6 755	-	-	-	-	-	6 755
	1991	-	7 075	-	-	-	-	-	7 075
	1992	-	4 675	-	-	-	-	-	4 675
	1993	-	4 336	-	-	-	-	-	4 336
	1994	-	7 272	-	-	-	-	-	7 272
Copra	1990	396	-	3 556	-	-	16	1 702	5 670
	1991	193	-	1 334	-	-	11	355	1 893
	1992	-	-	-	-	-	-	267	267
	1993	36	-	-	-	-	4	547	587
	1994	-	-	-	-	-	5	60	65
Copra products.	1990	-	3 323	-	1 626	472	-	-	5 421
	1991	-	1 455	-	1 773	251	-	-	3 479
	1992	-	-	-	-	102	-	-	102
	1993	-	-	-	112	110	-	-	222
	1994	-	-	1 276	1 163	-	-	-	2 439
Oilcakes	1990	-	-	-	191	-	-	-	191
	1991	-	-	-	170	-	-	-	170
	1993	-	-	-	17	-	-	-	17
Palm oil products ..	1990	-	7 307	675	-	-	-	-	7 983
Vanilla	1992	-	-	-	-	10	-	-	10
	1994	-	-	-	-	72	-	-	72
Total ...	**1990**	**396**	**24 949**	**4 595**	**1 984**	**990**	**16**	**1 702**	**34 631**
	1991	**193**	**17 225**	**1 517**	**2 273**	**727**	**11**	**355**	**22 300**
	1992	**0**	**17 412**	**41**	**-**	**112**	**-**	**267**	**17 831**
	1993	**36**	**12 214**	**599**	**128**	**110**	**4**	**547**	**13 639**
	1994	**0**	**7 272**	**1 276**	**1 163**	**72**	**5**	**60**	**9 848**

The Pacific ACP countries also benefit from assistance provided under the EU's Stabex programme, the importance of which should not be underestimated. In 1990, for example, they received ECU 34.6 million to compensate for fluctuations in export earnings caused in part by crop losses due to hurricanes and the like. This absolute figure did, admittedly, fall steadily over the following years to ECU 9.8 million in 1994. While the main reason for this was a reduction in the total amount made available by Brussels, other factors also came into play, such as delays in payments and changes in the prices of raw materials. In relative terms, its share of total assistance fell by just 0.1% between 1990 and 1994, from 7.2 to 7.1%. The main beneficiary was Papua New Guinea, which received substantial equalisation payments[4] for coffee and cocoa products in particular. In second place came the Solomon Islands for copra and copra products, cocoa and palm oil products, followed by Western Samoa and then Vanuatu. Tonga, Kiribati and Tuvalu profited little from this EU development instrument. In the case of Fiji, none of its export products reached the percentage where they would qualify for an equalisation payment. The country did, however, benefit substantially from the allocation of sugar quotas, which is also tied to Stabex. Papua New Guinea also reaped the benefits of the Sysmin programme which makes money available for the restructuring or diversification of mining enterprises.

With the inflow of development assistance tending to diminish, priority should be given in future to channeling the resources which remain towards supporting important local initiatives. This is true in particular for self-help organizations or NGOs where the promotion of women's rights is playing an ever more important role, for various Church committees which have already notched up notable successes in the fields of education and health, and for regional institutions such as the University of the South Pacific (USP). Local government and administration should also receive special support.

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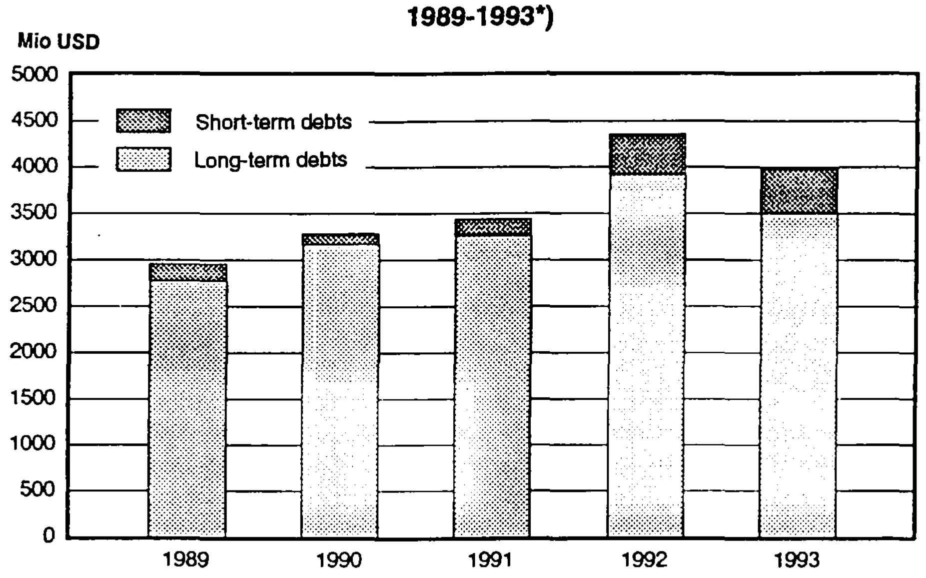
4 The equalization payments in question are fixed for the whole duration of the current Lomé Convention. They differ for each product, are calculated on the basis of an average over several years and are paid out according to a certain percentage in cases of crop losses (caused, for example, by cyclones) or substantial changes in world market prices.

14. FOREIGN DEBT

Compared with the current situation in other groups of developing countries, foreign debt in the Pacific ACP countries is certainly serious, but by no means catastrophic. This is doubtless due to their generally healthy stock of natural resources and possibly to the equilibrium in their balance of payments achieved through current transfers in the form of revenue from tourism and remittances by residents working abroad added to income from certain equalization funds. However, unless radical changes are made to diversify and restructure the economy, the long-term chances of easing the debt situation look rather slim.

Between 1989 and 1993 there was an average annual increase of 7.6% in the foreign debt accumulated by the Pacific ACP countries (excluding Kiribati and Tuvalu[5]). While their 1989 debts totalled USD 2,964 million, this figure had risen to USD 3,980 million by 1993, with Papua New Guinea accounting for almost 80% of the total. Since then, they have swollen to USD 4,366 million.

14.1 FOREIGN DEBT OF THE PACIFIC ACP COUNTRIES 1989-1993*)



*) Excl. Kiribati and Tuvalu.

Statistisches Bundesamt 95 0233 B

5 Not contained in the statistics available.

Most of this is long-term debt, although at around 88% of the total (USD 3,500 million in 1993) this is a relatively low proportion by international standards. The figure also indirectly reflects the influence of the offshore banking centre in Vanuatu[6], the effect being an above-average increase in short-term debts. This rise in the percentage of short-term debts also highlights the growing instability of the financial situation, which is forcing government agencies in particular to take on expensive bridging loans. In 1989, long-term debts made up a much larger share of the total, at 94%. In 1993, USD 54.3 million of the long-term debts, including IMF loans, were contracted through the central banks. This represents an annual average increase of 26% since 1989. In all USD 1,700 million went through the government accounts in 1993.

14.1 COMBINED INDEBTEDNESS INDICATORS FOR THE PACIFIC ISLANDS 1989-93*)

Survey item	1989	1990	1991	1992	1993	1989/93
	Mio USD					% p.a.
Total debt	2 964	3 293	3 450	4 366	3 980	7.6
Long-term debts	2 774	3 173	3 261	3 920	3 504	6.0
of which:						
Central banks, including IMF loans	22	77	74	70	54	25.6
Government	1 396	1 628	1 742	1 687	1 725	5.4
Short-term debts	189	120	189	446	475	25.8

*) Excluding Kiribati and Tuvalu.

Private creditors provided the cover for around two-fifths of the total long-term debts, the 1993 figure (41.3%) being up 11% on 1990 (33.2%).

The debt ratio (debts in % of GDP) stood at 56.6% in 1993, following figures of 73.2% in 1992, 63.8% in 1991 and 61.3% in 1990. After being relatively high in 1992, the situation has, therefore, stabilized considerably.

Indebtedness ran more or less parallel to the region's export earnings. While it stood at 1.1 times the level of export revenue in 1989, by 1993 it was back down to around 1.0.

There are, however, substantial divergences from this general trend in the individual countries.

[6] At the beginning of the 1990s, there were already over 100 banks and financial institutions represented in the capital Vila.

During the reference period, Fiji's foreign debt dropped from USD 414 million in 1989 to USD 330 million in 1993. This works out at an average annual decrease of 5.5%. At the same time, there has been a marked switch in emphasis from long-term debt to short-term debt. While the former fell by an annual average 8.3% during the reference period, short-term debt instruments registered an annual 35.1% increase from USD 14 million in 1989 to USD 46.7 million in 1993. In 1993, the debt ratio was down to 20.3% from 30.1% in 1989. Fiji's economic development has, therefore, been uniformly positive. During this period, indebtedness remained consistently below the level of export revenue, the 1989 ratio being 0.49, falling to just 0.33 in 1993. This is clearly a very specific development which can mainly be explained by the influence of the national capital market, where capital borrowing is attractive both for State infrastructure projects and for private industrial loans. One of the principal reasons for this is that the Indian community has a clear preference for liquidity, their bad experiences following the coup of just a few years ago prompting a cautious approach towards investment.

14.2 INDEBTEDNESS INDICATORS*)

Survey item	Fiji		Papua New Guinea		Solomon Islands		WesternSamoa	
	1990	1993	1990	1993	1990	1993	1990	1993
	Mio USD							
Debts	413	330	2 573	3 168	122	101	92	193
Long-term debts	401	283	2 440	2 860	104	95	91	139
Public and publically-guaranteed funds	306	199	1 502	1 516	104	95	91	139
Private non-guaranteed funds	95	84	938	1 344	0	0	0	0
Recourse to IMF loans	0	0	61	44	1	0	1	0
Short-term debts	12	47	72	264	17	6	0	53
For information: export credits	64	26	223	559	30	64	2	0
New borrowings								
Payments of new loans	34	33	679	219	5	8	15	23
Long-term	34	33	621	219	5	8	15	23
IMF loans	0	0	58	0	0	0	0	0
Redemptions	73	38	395	697	8	7	4	3
Long-term	72	38	392	682	7	7	3	3
IMF loans	1	0	3	15	1	0	1	0
Net accruals	- 42	11	190	- 626	14	5	11	73
Short-term	- 2	16	- 93	- 148	17	5	0	53
Interest payments	33	17	162	165	4	3	1	3
Long-term	31	15	156	140	3	3	1	1
IMF loans	0	0	0	3	0	0	0	0
Short-term	2	2	6	22	1	0	0	1

14.2 INDEBTEDNESS INDICATORS*) (continued)

Survey item	Fiji 1990	Fiji 1993	Papua New Guinea 1990	Papua New Guinea 1993	Solomon Islands 1990	Solomon Islands 1993	WesternSamoa 1990	WesternSamoa 1993
	Mio USD							
Net transfers for debts	- 74	- 6	29	- 792	10	3	10	70
Debt serving	106	55	557	862	12	10	6	5
Long-term	104	53	548	822	10	10	5	4
IMF loans	1	0	3	18	1	0	1	0
Short-term loans (interest only)	2	2	6	22	1	0	0	1
Debts still to be serviced	104	53	551	840	12	10	5	4

Survey item	Tonga 1990	Tonga 1993	Vanuatu 1990	Vanuatu 1993	Total 1990	Total 1993	Total 1990/93
	Mio USD						% p. a.
Debts	54	44	40	144	3 293	3 980	+ 7
Long-term debts	45	44	31	39	3 111	3 461	+ 4
Public and publically-guaranteed funds	45	44	31	39	2 078	2 033	- 1
Private non-guaranteed funds	0	0	0	0	1 033	1 428	+ 11
Recourse to IMF loans	0	0	0	0	63	44	- *11*
Short-term debts	9	1	10	104	120	475	+ *58*
For information: export credits	1	1	22	17	342	667	+ *25*
New borrowings							
Payments of new loans	3	3	9	1	745	287	- *27*
Long-term	3	3	9	1	687	287	- *25*
IMF loans	0	0	0	0	58	0	- *100*
Redemptions	1	1	1	1	482	747	+ *16*
Long-term	1	1	1	1	477	732	+ *15*
IMF loans	0	0	0	0	6	15	+ *40*
Net accruals	10	2	8	104	192	- 431	.
Short-term	8	0	0	103	- 70	29	.
Interest payments	1	1	2	4	202	192	- *2*
Long-term	1	1	1	1	193	160	- *6*
IMF loans	0	0	0	0	0	3	+ *147*
Short-term	0	0	1	3	9	29	+ *47*
Net transfers for debts	10	1	6	100	- 9	- 624	+ *305*
Debt serving	2	2	2	5	684	939	+ *11*
Long-term	2	2	2	1	669	892	+ *10*
IMF loans	0	0	0	0	6	18	+ *46*
Short-term loans (interest only)	0	0	1	3	9	29	+ *47*
Debts still to be serviced	2	2	2	1	676	910	+ *10*

*) Excluding Kiribati and Tuvalu.

Economic growth and the introduction of value-added tax in 1993 have reduced the deficit to just 1.5% of GDP. In 1993, it was still up at 3.4%. Foreign currency reserves recently covered 5-6 months of imports and international debt servicing. Fiji was also the only one of the eight countries which was able to cover its budget deficit with its own capital market and to pay back its debts before they matured. Inflation dropped from 5.2% in 1993 to 1.5% in 1994. The bulk of investment, however, is still in the State sector, and while the total increase in domestic lending in 1994 was 19%, the figure for the private sector was around 9% as against almost 33% in the State sector.

In Papua New Guinea, on the other hand, debts soared during the reference period from USD 2,300 million to USD 3,200 million, an annual average increase of 8.3%. There was a slight drop in the proportion of long-term debts, from 92.9% (USD 2,100 million) in 1989 to 91.7% (USD 2,900 million) in 1993. The debt ratio was a little lower in 1993 (68.3%) than in 1990 (77.3%). While this meant that debt was still well ahead of exports, the ratio has improved significantly since 1989, to 1:13 in 1993 as against 1:47 in 1989.

14.3 POSITION OF BIS BANKS VIS-À-VIS THE PACIFIC ISLANDS (debts outstanding)*)

Survey item	Unit	1990	1992	1993	1994	1990/94 % p.a.
Assets (world)	Bn USD	5 907	6 236	6 514	7 103	+ 4.7
South Pacific Islands	Mio USD	1 409	1 177	918	482	- 23.5
Fiji	Mio USD	36	44	55	71	+ 18.5
Kiribati	Mio USD	-	1	1	1	.
Papua New Guinea	Mio USD	667	536	491	279	- 19.6
Solomon Islands	Mio USD	1	23	5	4	+ 41.4
Western Samoa	Mio USD	-	-	49	1	.
Tonga	Mio USD	-	-	-	5	.
Tuvalu	Mio USD	1	30	-	-	.
Vanuatu	Mio USD	704	543	317	121	- 35.6
By comparison:						
Australia	Mio USD	50 806	51 804	48 523	45 853	- 2.5
Other Pacific nations	Mio USD	163	62	52	66	- 20.2
French Polynesia	Mio USD	16	21	17	10	- 11.1
Nauru	Mio USD	145	10	8	35	- 29.9
New Caledonia	Mio USD	2	10	13	6	+ 31.6
US Pacific Islands	Mio USD	-	21	14	15	.

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14.3 POSITION OF BIS BANKS VIS-À-VIS THE PACIFIC ISLANDS (debts outstanding)*) (continued)

Survey item	Unit	1990	1992	1993	1994	1990/94 % p.a.
Liabilities (world)	Bn USD	6 129	6 293	6 272	7 135	+ 3.9
South Pacific Islands	Mio USD	4 105	3 644	3 600	3 619	- 3.1
Fiji	Mio USD	216	214	170	203	- 1.5
Kiribati	Mio USD	26	.	.	10	- 21.2
Papua New Guinea......	Mio USD	146	296	374	243	+ 13.6
Solomon Islands	Mio USD	33	67	57	49	+ 10.4
Western Samoa	Mio USD	31	22	32	59	+ 17.5
Tonga	Mio USD	18	1	1	9	- 15.9
Tuvalu	Mio USD	25	1	1	-	.
Vanuatu	Mio USD	3 610	3 043	2 965	3 046	- 4.2
By comparison						
Australia	Mio USD	16 711	16 548	16 247	18 790	+ 3.0
Other Pacific nations .	Mio USD	146	214	429	290	+ 18.7
French Polynesia	Mio USD	23	87	88	114	+ 49.2
Nauru	Mio USD	53	26	73	30	- 13.3
New Caledonia	Mio USD	13	.	.	.	
US Pacific Islands	Mio USD	57	268	268	146	+ 26.5
Balance(world)	Bn USD	- 222	- 57	+ 242	- 32	X
South Pacific Islands	Mio USD	- 2 678	- 2 467	- 2 682	- 3 127	X
Fiji	Mio USD	- 180	- 170	- 115	- 132	X
Kiribati	Mio USD	- 26	+ 1	+ 1	- 9	X
Papua New Guinea......	Mio USD	+ 521	+ 240	+ 117	+ 36	X
Solomon Islands	Mio USD	- 32	- 44	- 52	- 45	X
Western Samoa	Mio USD	- 31	- 22	+ 17	- 58	X
Tonga	Mio USD	-	-	-	- 4	X
Tuvalu	Mio USD	- 24	+ 29	- 1	-	X
Vanuatu	Mio USD	- 2 906	- 2 500	- 2 648	- 2 925	X
By comparison						
Australia	Mio USD	+ 34 095	+ 35 256	+ 32 276	+ 27 063	X
Other Pacific nations .	Mio USD	+ 17	- 152	- 377	- 224	X
French Polynesia	Mio USD	- 7	- 66	- 71	- 104	X
Nauru	Mio USD	+ 92	- 16	- 65	+ 5	X
New Caledonia	Mio USD	- 11	+ 10	+ 13	+ 6	X
US Pacific Islands	Mio USD	- 57	- 80	- 254	- 31	X

*) As at December.

15. ECONOMIC SYSTEMS, ECONOMIC POLICIES AND STRUCTURAL ADJUSTMENT

The economic order in the Pacific ACP countries is still very much influenced by the State, and private initiative remains underdeveloped. There are several reasons for this. In the first place, the fact that all eight of these countries only achieved their independence in the second half of the 20th century has generally led to a strong emphasis on administrative restraints and an excessive reliance on State laws, privileges and planning authorities. There are also still lingering traces of the mentality which reigned during the days of colonial dependence, when personal initiative was largely stifled. Furthermore, in view of the low population and the immensity of land and sea, individuals and groups feel overwhelmed by the countless bottlenecks in the social and economic infrastructure and therefore turn almost automatically towards the State for an answer. On top of this, tradition and geographical considerations have given rise to local 'pocket economies' whose size can be measured in distances by foot or canoe and which are still very much influenced by the subsistence and informal sectors. The multitude of languages and cultures also presents an obstacle to many attempts at economic rationalization.

The World Bank warned the meeting of South Pacific Finance Ministers in Suva in the spring of 1995 that mistakes still outnumbered successes when it came to using resources. It also advised those present to make greater efforts to advance training and the economic infrastructure and to provide much-needed protection in their forestry and fisheries sectors. Despite having invested around 29% of GDP in their economies over the last decade, this group of countries recorded economic growth of just 2% per annum over the same period.

In many countries there are signs of some sort of effort to ring the changes. **Papua New Guinea** agreed on a comprehensive restructuring programme with the IMF and the World Bank in 1995. The main aims of this programme include tax reform (introduction of a sales tax, an increase in export duties on wood and the removal of virtually all other export duties), the gradual phasing-out of restraints on business activity, the elimination of price controls and accelerated privatization. Other measures agreed were a reduction in the budget deficit and greater public sector investment, given that investment in the non-mineral sectors in particular had fallen off dramatically in recent years while current expenditure was increasing by leaps and bounds. The 1990-93 average figure of 15% was very low even by international standards. There are, however, some encouraging signs that Papua New Guinea may be able to count on rising international demand for some of its agricultural products over the next few years. According to IMF estimates, value-added from the non-minerals sector should already be up 4.5% in 1996, reversing its 1% fall in 1995. Another activity with a bright future is the continued exploitation of gold deposits at Lihir, the world's largest gold mine, and the country's new oil wells also seem assured of success.

Having said this, however, the future difficulties which will arise in attempting to reconcile ecological and economic interests can best be illustrated by the current episode involving the huge Ok Tedi copper mine. The powerful Broken Hill Proprietary (BHP) investment company is challenging a long, drawn-out case in the Australian Supreme Court brought by the landowners, who have so far been unsuccessful in their complaints that the operating company is allowing 100,000 t of waste to flow into the rivers each day, thus destroying both fish and vegetation.

Fiji is expecting 1,000 jobs to be created by the expansion in extraction activity at the vast Namosi copper mine. Generally speaking, there are only 3 000 jobs available each year for 10,000 school-leavers in this, the South Pacific's most progressive country. There are also signs of reorganization in the wage structure, which has hitherto been linked to developments in the inflation rate. In future, wages will be measured in terms of productivity. The ongoing efforts to diversify the agricultural sector also hold out some promise for the future, with groundnuts, ginger and cocoa all gaining in importance, as are forestry plantations. The government hopes that by the year 2000 earnings from the maturing timber plantations will already exceed those from the sugar sector.

Kiribati is pinning its hopes on Japanese plans to use the country as a space exploration centre.

The **Solomon Islands** still shows no signs of carrying out long-overdue structural reforms and the current government is still too focused on its short-sighted policy of making a fast buck - to the particular detriment of its forestry resources and the long-term livelihood of future generations. Although the end is already in sight for logging activity, there are still no limits being placed on wood exports. One flicker of hope does lie in the 'Red Book', which was published at the beginning of 1995 and contains what can be described as a development plan to provide a certain amount of resources over a period of three years to promote education, healthcare and the infrastructure.

Western Samoa plans to step up cooperation with neighbouring American Samoa, particularly through its development plan in the field of tourism up to the year 2001, and intends to remove restrictions on trade. The resumption of cooperation with New Zealand will lead to some restructuring activity in the country's loss-making national airline. The introduction of value-added tax is producing changes in the tax system.

Tonga's latest five-year plan seeks to diversify the economy, particularly in the fields of manufacturing industry, exports and tourism. The country also now wants to set itself up as an offshore banking centre.

Vanuatu wants to introduce a turnover tax and significantly lower its import barriers. Mounting problems with the 'laundering of drugs money' will presumably lead to certain restrictions being placed on offshore banking practices. The third 5-year plan makes provision for considerable efforts in the field of education.

Certain changes are also being made to economic policy. The moves towards a modern market economy are concentrated for the time being in the capital cities and some regional centres. In those places where private initiative is beginning to take shape, it is generally Indians, Chinese or 'expatriates' from the western industrialised countries who are making the effort to develop an independent entrepreneurial spirit. At the same time, it is important not to overlook the many latent strong points in both the native cultures and existing small businesses and the family and village community structures. These too could blossom, if the basic economic conditions were adapted sensibly. The increasing autonomy enjoyed by the Aborigines in Australia and the Maoris in New Zealand is receiving close attention from many native leaders, and the gradual move towards political diversification in certain Pacific countries is leading to renewed debate about the shape to be taken by the future economic order of these developing countries. International organizations and industrial nations involved in this process for humanitarian, political or economic reasons will have to accept that the deregulation and privatization of the economy which some so forcefully advocate will be faced with a fairly lengthy period of transition.

15.1 FORECASTS FOR SELECTED WORLD COMMODITY PRICES

Commondity	Unit	1994		1995		1996[1]	
		USD	%[2]	USD	%[2]	USD	%[2]
Copper	1 lb	1,047	+ 20,5	1,295	+ 23,7	1,250	- 4,0
Cocoa	1 lb	0,633	+ 24,9	0,688	+ 8,7	0,712	+ 4,0
Coffee[3]	1 lb	1,344	+ 122,5	1,586	+ 18,0	1,423	- 11,7
Sugar	1 lb	0,121	+ 20,8	0,131	+ 8,3	0,113	- 15,4
Raw palm oil	1 t	528	+ 39,7	580	+ 9,8	523	- 12,3
Palm-kernel oil	1 t	629	+ 43,9	652	+ 3,7	735	+ 13,1
Copra	1 t	417	+ 41,4	386	- 7,4	432	+ 12,2
Coconut oil	1 t	608	+ 35,1	609	+ 0,2	683	+ 13,0
Crude oil[4]	1 t	15,62	- 4,8	16,1	+ 3,1	16,3	+ 1,0

1) January to September.
2) Change from the corresponding period of the previous year.
3) International Coffee organization price index.
4) Weighted cif cost average of International Energy Agency imports.

The crucial importance of economic diversification and greater efforts to process the available raw materials in the countries themselves is merely reinforced by the latest estimates for the main raw materials prices, which rule out the likelihood of the high growth rates recorded in recent years being sustained in the future.

Unemployment is a growing problem, particularly in Papua New Guinea, but other countries are also affected. While the strong informal sector is still able to absorb much of the impact, the issue of qualified jobs is becoming ever more pressing as economic development continues apace. With investment, however, pouring into the infrastructure and particularly into capital-intensive branches of the mining, fisheries and forestry sectors where it is used to develop automation and not manual activities, the gulf between demand and supply is continuing to widen. In agriculture and the manufacturing industry where there could be longer-term potential for fresh manpower, there is currently a shortage of markets in which these sectors could be competitive. The same applies for the services sector, which suffers from a lack of diversification and grass-roots initiatives and where geographical distance also presents a handicap.

The World Bank regards the abolition of wage restraints, floating of exchange rates and administrative reforms as key steps towards improving the general economic framework. Other recipes put forward include changes to the tax structure, more dedicated efforts to set up vocational training schools and, last but not least, development of the infrastructure and telecommunications. Widespread privatization is universally advocated, since this appears to be the only way of achieving the crucial objective of greater productivity. The example of shipping, however, illustrates the problems attached to such an approach, since the over-hasty privatization of lucrative routes while unprofitable links remain under State control seems to be a very short-sighted solution altogether.

The future looks good first and foremost for those sectors connected in one way or another with the use of natural resources. Included among these are onshore and offshore mining, forestry and fisheries, all of which not only still need to find a compromise between sensible exploitation and essential measures in the field of stock conservation and environmental protection, but also have to considerably expand their processing chains. The establishment of natural parks, protected forests, timber plantations containing a selection of species, and extensive temporary protected zones for fishing could prove to be just as successful as specific efforts to process certain export products, where the absence of pollutants and the painstaking manual component could be presented as positive attributes. One important development of benefit to all sectors of the primary sector would be a monitoring system using the very latest in electronic and satellite technology, as this could be the only way of providing certain guarantees against the already-rampant misuse of resources in this region of vast distances and low populations. More importance needs to be attached to the construction industry, energy and water supply industries and transport and telecommunications, although the nagging question of viability does crop up here too, given the huge capital requirements and low population density. Serious thought should be given to the idea of finding private investors for busy roads around capital cities or certain relatively high-demand air and shipping routes, in accordance with the BOT model[7], in order to ease the strain on the State's coffers. This would release more money for infrastructural projects which, although in themselves unprofitable, are vital for regional development. Attempts should also be made to involve traditional tribal and village communities in the planning and implementation of local and regional public-utility projects, as this is the only way to combine commitment with personal and family motivation, and means that certain services can also be carried out free of charge. Forms of cooperation traditionally extended in the aftermath of natural disasters could therefore be harnessed to work for the future. Greater efforts are required in the field of of government and private services, particularly in the retail trade, health and education. Many of the gaps which currently exist could be filled by improving telecommunications or bridged by the creation of more self-help organizations. The Scandinavian countries, amongst others, can provide ideas in this area, since they also encounter the problems of a scattered population, large distances and an extreme dependence on forestry and fishing, but have already produced a wide range of solutions. While tourism has plenty to offer in terms of development opportunities, it would be wrong to expect too much of this sector or to make the development of investment projects overly dependent upon this 'magic wand'. The presence of beautiful beaches and breathtaking scenery, the strange undersea world of the coral reefs and the diversity of Polynesian and Melanesian cultures are all, without doubt, particular attractions. Other specific activities in the field of ecotourism or a number of initiatives carried out in Fiji for the long-term lease of native land should also meet with a certain success, but it should not be forgotten that similar conditions also exist in and around the Pacific, in Latin America and in South-East Asia. Headline reports on the increasing frequency of malarial disease also show the darker sides of these holiday paradises in the South Pacific. The fact that this area features prominently as a blackspot for hurricanes and earthquakes on the maps adorning the walls of insurance enterprises is also not exactly ideal in view of the growing demands made by tourists for 'safe' holidays.

There is no doubt that a sensible goal would be the selective development of tourist centres which satisfy tourists' requirements for peace and relaxation without destroying long-established native cultures. Vanuatu, the Solomon Islands, Western Samoa and Tonga have all made moves in the field of offshore banking, and other examples from neighbouring Nauru and the Marshall Islands, or further afield in the Bahamas, seem to confirm the effects which such institutions have on growth. However, with increasing concentration and keener competition in the world banking market, the long-term prospects should be assessed with some caution, and it is important to deflate any overblown hopes which the South Pacific countries might cherish in this direction.

Flags of convenience are also gaining a certain degree of importance, and the Lloyds Shipping Register contains an increasing number of vessels sailing under the flag of a South

[7] Build-operate-transfer.

Pacific country. Vanuatu, in particular, is quite heavily involved in this practice, although the influx of foreign currency it generates does not amount to much. The same also applies to the revenue earned by Fiji in return for the growing contingent of Fijian soldiers wearing the blue helmet of the UN's peace-keeping forces.

Despite sometimes high levels of unemployment, excessive emigration is also a problem on some islands. This explains Tonga's past efforts to attract Hong Kong residents by offering them passports and a favourable immigration package. Despite its own difficulties in the field of job creation, Fiji recently decided to set up a similar programme which aims to facilitate the immigration of 7,000 Hong Kong families with a maximum of four members over the next ten years. The basic aim is to stimulate an inflow of business know-how and capital, as the immigrant families have to make a one-off payment of USD 30,000 and invest at least USD 100,000 in Fiji. In Vanuatu, a programme was started back in 1991 to encourage the immigration of foreigners with vocational qualifications.

Given the range of problems confronting them, the Pacific ACP countries will need to find the right blend between their own efforts and external aid before they can be assured of development through into the next century. A key factor in this will be meaningful regional and supraregional cooperation. Bodies with a role to play here include the South Pacific Forum with its various expert committees, the Forum Fisheries Agency in the Solomon Islands, the South Pacific University in Fiji and the national governments, as well as neighbouring Australia and New Zealand. The EU too will have to play its part - and accept the consequences.

16. ENVIRONMENT

The recent nuclear tests carried out in the South Pacific by certain world powers have thrust the issue of the environment in this part of the planet into the limelight of international discussions. Some Pacific countries fear for their very existence in view of the threat posed by these nuclear tests to their marine life and tourist potential. These tests apart, the Pacific ACP countries are faced with a multitude of other environmental problems which need to be solved quickly, if the long-term economic basis of these archipelagos and their surrounding oceans is to be preserved.

In addition to the damage wrought by the forces of Nature in the form of hurricanes and tidal waves which destroy forests, utilized agricultural area, human settlements and infrastructural facilities, the gamut of environmental problems facing the Pacific ACP countries also includes:

(i) coastal pollution, destruction of coral reefs, lagoons and mangrove biotopes, and the eutrophication (nutrient enrichment) and sedimentation of coastal waters, caused by the encroachment of urban areas into natural habitats, the discharge of agricultural, industrial and urban waste water and the felling of forests close to the coast;

(ii) overfishing in the coastal waters;

(iii) depletion of deep-sea fishing stocks by illegal fishing and inappropriate fishing methods practised by the mainly foreign fishing fleets;

(iv) the much-feared loss of land area due to global warming and the associated rise in sea level, perhaps even leading to the disappearance of entire island atolls;

(v) rapid deforestation with the increase in commercial logging and the clearing of new cultivable land, leading to a host of problems such as soil erosion, disturbance of the water balance and the loss of numerous species of flora and fauna;

(vi) inefficient waste management.

It is clear from this list that, apart from the environmental problems caused by the effects of global warming and by natural factors (hurricanes, floods) over which they have no control, these countries have also brought a whole string of environmental misfortunes upon themselves through misdirected or non-existent environment policies, and have allowed control of their natural resources to slip from their grasp. All too often, governments in this region have sacrificed ecological considerations in order to derive the maximum possible short-term economic benefits. This policy needs to be reversed immediately, or else sooner or later the very basis for the existence of these fragile island archipelagos will be destroyed.

The rest of this section focuses on two problem areas which threaten the natural equilibrium of most of the Pacific ACP countries and will ultimately have a negative effect on the economic basis of two sectors which have been cited as potential catalysts for sustained economic growth and the imperative diversification of their economies. On the one hand, there is the danger posed to the fishing industry by overfishing and inappropriate fishing practices; on the other, the possibility that the Pacific forests might be lost for ever through unremitting deforestation, and the catastrophic consequences this would have for forestry (see Chapter 3).

The increase in commercial logging and the expansion of agriculture have raised the spectre of the tropical rainforests with their wide variety of species disappearing altogether in a number of Pacific countries. As already explained in Chapter 3, if the present logging rates were to be sustained in the Solomon Islands, the country's entire forestry resources would be exhausted within 15 to 20 years. The situation is, however, not much different in Fiji, Papua New Guinea, Western Samoa and Vanuatu. Papua New Guinea, in particular, ranks alongside the Solomon Islands when it comes to ill-conceived policies on forestry and the ruthless exploitation of its forests. A survey on forestry commissioned by the national authorities revealed woefully inadequate administrative controls on forestry resources, widespread mismanagement, cartel-like price-fixing and the deliberate wrong classification of exports of tropical woods. All in all, the forestry industry even surpassed the mining sector in its single-minded exploitation of the available resources in order to maximize profits for the sole benefit of the operators and without the slightest regard for environmental considerations. Even the drastic restrictions on raw wood exports imposed by the national authorities in 1993 have hitherto done little to curb the intensity of tree-felling and wood exports (see Chapter 3).

Western Samoa, too, has a history of clearing forests for utilisable agricultural acreage, despite the dire ecological consequences of such actions. The World Bank estimates that the annual rate of deforestation in Western Samoa over the last decade was 3.5%, one of the highest in the world. Even traditional tropical-wood-producing countries such as Brazil (1.5% p.a.) and Thailand (2.8% p.a.) have substantially lower rates of deforestation. The Western Samoan authorities have, in the interim, recognized the problem and are currently drawing up a code of conduct for forestry and a strategy for the effective management and protection of the country's forests.

The loss of forests and damage to other wooded areas cannot, however, be attributed to deforestation alone. The consequences of inappropriate methods of felling and clearing are also disastrous, since these often cause severe damage to tree types other than those which were supposed to be felled, thus seriously disrupting the entire forest ecosystem. Fiji offers a good example of this, since although its rate of deforestation is comparatively low at under 1% per annum, the natural forests are showing signs of extreme deterioration.

The consequences of unrestrained deforestation are also serious in terms of the loss of precious species of wood and the threat posed to rare animal species. Fiji, the Solomon

Islands, Western Samoa and Vanuatu have all recently designated protected forest areas in order to preserve their biodiversity, but these efforts only constitute the first steps towards solving the problem. The gravity of the situation becomes clear when one looks, for example, at the data offered by the World Resources Institute (WRI). These show that 31 species of animals in Papua New Guinea and 25 in the Solomon Islands (in both cases mainly bird species) are threatened with extinction as a result of excessive deforestation (see Table 16.1). The same disturbing picture emerges for plant species on the danger list (Papua New Guinea: 90 species; Solomon Islands: 43 species - see Table 16.2). There is, therefore, an urgent need to expand the number of national parks and areas of protected forest throughout the South Pacific in order to put a stop to the irreversible decimation of animal and plant species.

The precondition for such action is, however, a complete realignment of national policies on forestry and more effective forestry management. According to international organizations, this new strategy for forestry has to focus on the long-term preservation of forestry resources. In this respect, the formulation of Forestry Action Plans assumes capital importance. In order to guarantee the ecologically-sustainable exploitation of the Pacific forests, such plans would need to contain the following components:

(i) provisions for the deployment of agencies responsible for forestry surveillance and control. There is a good argument here for involving local forest-owners alongside State bodies in controlling tree-felling and managing the forests;

(ii) standards to regulate felling techniques so that stocks can be preserved, as well as precise upper limits on tree-felling in order to guarantee forest regeneration;

(iii) the introduction of a list of fines to be paid when these standards and limit values are ignored or exceeded.

In addition to these measures, certain countries, notably the Solomon Islands, should follow the example of Vanuatu in imposing temporary export bans on raw wood in order to allow their severely-depleted forestry resources some time in which to recover. In an attempt to use the framework of development assistance to promote a more sensitive policy for the forestry industry in the Pacific countries, the World Bank has suggested that international financial assistance be made available primarily for forestry protection. Australia is already helping Vanuatu with measures of this type. As part of a forestry project, which is worth over USD 4 million and aims to protect Vanuatu's forestry resources, Australia is financing the instruction and training of government forest officials, landowners and timber companies working in Vanuatu in how to plan, record and control tree-felling.

Regional initiatives to counter the disastrous developments in the forestry industry are also gradually emerging. Thus, in view of the impending destruction of the forests of the South Pacific, representatives from Australia, New Zealand, Fiji, Papua New Guinea, the Solomon Islands and Vanuatu agreed at the South Pacific Forum Conference in August 1994 to draw up a Code of Conduct laying down terms for the felling and export of wood which would be legally binding upon the timber companies. This Code of Conduct would also contain regulations regarding the joint monitoring and protection of forest resources. In October 1994, work began on drafting this Code of Conduct at the Regional Forestry Meeting of the SPF in Port Vila, Vanuatu.

The second major environmental issue is the depletion of fishery resources. Virtually all the Pacific countries have seen their coastal fish stocks crash as environmental conditions in their coastal waters deteriorate. The situation in Western Samoa, where the degradation of the water close to the shore has led to substantially lower catches, has already been described in Chapter 3, but coastal fishing in Vanuatu too has already been under threat. In so saying, however, Vanuatu's response to the threat of overfishing was to come up with a strategy which could serve as an example for the protection of coastal waters throughout the Pacific countries.

At the end of the 1980s in Vanuatu, there were increasing signs that the trochus population, a commercially-important species of marine snail which lived close to the shore, would be totally exhausted if catches were to continue unabated. In response, the Ministry of Fisheries teamed up with the national Department for the Environment to launch a publicity campaign aimed at encouraging the protection of the trochus at village level. This campaign laid particular emphasis on reactivating traditional local conservation measures and the reaction of the local fishermen to this strategy was stunning. By introducing closed seasons or 'taboos' which had been practised for centuries in connection with traditional ceremonies, they managed to allow the trochus population to regenerate. On the basis of this success, the closed seasons were also extended to other endangered seawater fish, with the result that catches have, for some years now, been rising again.

As well as activating traditional communal protection mechanisms, another ploy which could be used to protect coastal fishing when resources are put under strain is to designate marine protection areas. Sanctions should also be enforced against fishermen and their clients who infringe coastal protection regulations or, in particular, ignore closed seasons for individual fish species.

Fiji could set an example for the successful protection of marine species, since its sea turtle is particularly under threat. In 1992, a total of 19 tonnes of turtle meat was sold in Fijian markets, which works out at approximately 600 dead turtles. The government has subsequently declared 1995 the Year of the Sea Turtle and placed a ban on killing these creatures and selling their meat. Other actions considered are controls on the hunting of sea turtles for subsistence purposes and the extension of the breeding season.

Deep-sea fishing has also been subject to unfortunate trends which could have serious consequences, as the current policy of open access to foreign fishing fleets may, in the long-term, result in the overfishing of stocks. Since, however, Chapter 3 has already dealt at length with this issue, it will not be taken up again here. Likewise, the need to establish a regional strategy for fisheries management under the leadership of the Forum Fisheries Agency has already been discussed, as have the main components of this strategy.

It is clear from this presentation that the challenges facing the Pacific countries in the field of environmental protection are considerable and are only likely to be solved by adopting a concerted multilateral approach. Action needs to be taken immediately to strengthen regional cooperation in the field of environmental protection, particularly as regards the conservation of forestry and fisheries resources. In addition to the Forum Fisheries Agency, which needs to become more involved in upholding common environmental protection measures and shaping a multilateral fisheries policy, the Pacific countries also already have, in the shape of the South Pacific Regional Environment Programme (SPREP), a regional organization responsible for coordinating regional measures to protect and improve the environment. This organization must in future be given the necessary institutional, financial and environmental resources and powers to put a coordinated regional package of environmental protection measures into effect. The remit of the SPREP should range from environmental research to resource management and surveillance, the development of effective strategies for protecting the environment and the establishment of a regional early warning and disaster relief system to cope with hurricanes and severe floods.

16.1 ENDANGERED ANIMAL SPECIES IN 1992

Land	Mammals[1)]		Birds		Reptiles		Amphibians	
	1992	1990	1992	1990	1992	1990	1992	1990
	Total[2)]	Endangered species	Total[2)]	Endangered species	Total[2)]	Endangered species	Total[2)]	Endangered species
Fiji	.	1	87	5	25	4	2	1
Papua New Guinea	242	5	578	25	249	1	183	-
Solomon Islands	47	2	163	20	57	3	15	-
Western Samoa	.	1	.	2	.	-	.	-
Vanuatu	12	1	84	3	22	1	-	-

1) Excluding whales and porpoises.
2) 1990.

16.2 RARE AND ENDANGERED PLANTS IN 1993

Country	Total plant species	Rare and endangered plant species			Botanical gardens2)
		Total	per 1 000 plant species	per 10 000 km1) 2))	
Fiji	1 628	24	*15*	*20*	1
Papua New Guinea	11 544	90	*8*	*25*	4
Solomon Islands	3 172	43	*14*	*30*	1
Vanuatu	870	25	*29*	*23*	.

1) Application of a 'species-to-area curve' in order to achieve comparability between the number of species in countries of differing sizes.
2) 1991.

16.3 NATURE RESERVES IN 1993*)

Country	Total1)		Proportion of the surface area	of which protected sea and coastal regions2)	
	Number	1 000 ha	%	Number	1 000 ha
Fiji	4	6	*0,3*	1	4
Papua New Guinea	6	29	*0,1*	-	-

*) According to a IUCN classification system with ten categories.
1) Areas of 1 000 ha and over, but including islands larger than 100 ha.
2) 1989.

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Other indispensable sources of information used in drawing up this regional profile include various international yearbooks, such as the Britannica Book of the Year, the Fischer Weltalmanach (World Almanac) and The World Almanac.

The statistical basis for this publication was formed by national statistics on individual Pacific countries, publications by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), and relevant statistical collections compiled by the various United Nations specialized agencies, the World Bank, the IMF, the OECD and the Asian Development Bank. This was supplemented by the use of data provided by the Statistical Office of the European Communities (Eurostat) and other EU organizations.

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