



**SCHOOL OF ECONOMICS
THE UNIVERSITY OF THE SOUTH PACIFIC**

WORKING PAPER

**Sustaining Development in Pacific Island Countries in a Turbulent
Global Economy**

Biman C. Prasad
Dean and Professor of Economics
The Faculty of Business and Economics
The University of the South Pacific
Phone: 679 3232084
Fax: 679 3231506
Email: prasad_bc@usp.ac.fj or biman_chand@hotmail.com

No. 2009/07

June 2009

This paper presents work in progress in the School of Economics at USP. Comments, criticisms and enquiries should be addressed to the corresponding author.

Copyright © 2009 by the authors. All rights reserved.

Sustaining Development in Pacific Island Countries in a Turbulent Global Economy¹

Biman C. Prasad
Dean and Professor of Economics
The Faculty of Business and Economics
The University of the South Pacific
Phone: 679 3232084
Fax: 679 3231506
Email: prasad_bc@usp.ac.fj or biman_chand@hotmail.com

¹ Paper presented at the conference on “Sustaining Development in Small States in a Turbulent Global Economy, Commonwealth Secretariat, Marlborough House, London, 6-7 July, 2009.

1.0 Introduction

The turbulence in the global economy caused by the global financial crisis has presented serious challenges to many developed and emerging economies. Developed economies face new challenges in macro-economic policies, regulatory mechanisms of the financial sectors and continuation of trade liberalization as part of the World Trade Organisation's (WTO) wish to further liberalise trade. However, for small states, several challenges that have been consistently highlighted in the past remain important. The current global economic crisis creates an added responsibility on small states to deal with these challenges. Some of the challenges are linked to global economic integration, such as the erosion of preferential trade agreements mandated by the WTO. In addition, small states are also confronting the issues of climate change vulnerabilities and its impact on food security, governance and economic security in the long-term.

Pacific Island states like most other small states are going through a difficult period generally. However, the types of issues, constraints, and policy responses vary greatly from one country to another. The Pacific states are a diverse group of countries ranging from a population of less than 2000 such as in Niue, to five million in Papua New Guinea (See table 1). Physical characteristics also vary significantly. We can easily group Pacific Island countries in three categories. The Melanesian group of countries includes Fiji, Papua New Guinea, Solomon Islands and Vanuatu. These countries are large volcanic islands with arable land and a good supply of water, making them very suitable for agriculture. These countries also have significant population growth rates: in Vanuatu, Solomon Islands and Papua New Guinea, the birth rate is more than 2% and this means that significant additional resources will be needed by the government to manage its social sectors such as education and health. The second group includes the Polynesian countries of Tonga and Samoa and Cook Islands. These are small countries with moderate population sizes and with little potential for large scale agriculture or manufacturing. These countries have narrow export bases, and are mostly dependent on tourism and to a smaller extent, fisheries. The third group of countries include Micronesian and some small coral atolls countries. These countries are small in size and have a narrow resources base. Many of them are dependent on remittances, trust funds and fisheries exports for their income. Marshall Islands, FSM and Palau receive additional aid from the US because of their historical ties.

Table 1: Characteristics of the Pacific Island States, 2006

	Population	Population Growth	Population Density	Urban Population	GDP per person
	'000	% Change/year			
Melanesia and Timor Leste					
Fiji	853	1.0	47	51	3,306
PNG	5,995	2.5	13	14	943
Solomon Islands	489	2.8	17	17	684
Vanuatu	215	2.7	18	24	1,799
Timor-Leste	1,029	3.2	69	27	346
Polynesia					
Cook Islands	22	0.6	91	70.2	7,549
Niue	1.8	-2.2	6.9	33	4,364
Samoa	186	0.8	66	23	2,277
Tonga	102	0.4	142	24	2,176
Tuvalu	10	1.6	381	48.1	1,346
Micronesia					
FSM	111	2.0	159	22	2,205
Kiribati	101	2.2	138	48	703
Marshall Islands	65	1.9	636	67	2,363
Nauru	10	0.6	482	100	3,500
Palau	20	2.0	85	12	671
Comparators					
Low Income countries		2.0	85	12	671
Middle income Countries		1.1	45	53	6,564

Source AusAID, 2008 (data derived from World Bank 2007d, ADB, (2007D) Population growth is for the period 1990-2004 and comes from AusAID, 2006, except for Timor Leste which is for 2005 from World Bank, 2007c.

This paper provides an analysis of the current economic situation and how PICs are responding to the crisis. It also looks at the future possibilities for these countries. The paper is divided as follows: The first part provides the introduction and context; the second part analyses the economic performance of small states in the Pacific in the last decade; the third part discusses some of the transmission mechanisms and policy issues confronting the Pacific Islands states, and what are some of the new policy measures which could help them sustain economic growth and development in the next decade; the fourth section provides a discussion of the official development assistance and the

achievement of the MDGs in the PICs, and the last section provides some concluding comments.

2.0 Economic Performance of the Pacific Islands 1998-2008

The PICs growth performance over the last decade has been mixed. According to the ADB (2009) the Pacific saw very good growth in 2008 where the overall growth rate was 5.1 percent. This was largely through the growth rates experienced by commodity intensive economies of Papua New Guinea, Solomon Islands and Timor-Leste. But the report also warned that PICs would bear the brunt of the global economic recession in 2009 and 2010. This was because the PICs two major trading partners, Australia and New Zealand, would be experiencing the full effect of the global crisis in 2009. The prediction was fairly accurate: New Zealand's unemployment rate reached 5% in the first quarter of 2009, while Australia's unemployment rate in the same quarter reached 5.7% (ADB, 2009). How the Australian and New Zealand economies cope with the global economic meltdown will have a bearing on PIC economies.

2.1 Recent Economic growth and Forecast for the future

The forecast for 2009 is that all the Pacific Island Economies will achieve lower levels of economic growth in 2009 compared to 2007 and 2008 (see Table 2). Much of the decline is directly linked to the global economic downturn. This section describes the growth performance of the three groups of PICs—the Melanesian, Polynesian and the Micronesian group of countries.

Table 2: Economic Growth Rates in the Pacific, 2007, 2008, 2009 and 2010

	2010p	2009p	2008	2007
Cook Islands	0.8	1	3.5	2.5
Fiji	0.2	-0.5	1.7	-4.4
FSM	0.8	-0.1	-1.0	
Kiribati	0.9	1	1.0	1.0
Marshall Islands	0.8	0.5	1.5	1.3
Nauru	1.5	1.5	1.0	-27.3
Palau	-0.2	-1	-1.0	2.1
Papua New Guinea	3.5	4	6.6	6.2
Samoa	-0.1	-1	3.5	3.0
Solomon Islands	1.7	2.2	6.4	5.4
Timor Leste	8.0	10	10.0	8.0
Tonga	-0.6	-2	0.8	-3.5
Tuvalu	0.9	1	2.5	2.5
Vanuatu	0.8	3.5	4.6	4.7

Sources, ADB, 2009 and ESCAP, 2008

Papua New Guinea is the largest country amongst the 14 Forum Island countries and achieved growth rates of more than 6 percent in 2007 and 2008. Papua New Guinea has

benefited in the last several years from high commodity prices for its export crops (coffee, cocoa and palm oil). In addition, it has enjoyed high prices for its timber exports, gold, copper and petroleum. However, the global economic crisis and the dampening consumer demand for these products is having an adverse impact on PNG's economy. The growth forecast for 2009 is 4% and for 2010 it is down to 3.5 percent, about 50% decline compared to 2007 and 2008.

Fiji is one of the larger economies in the Pacific after Papua New Guinea. Fiji's economic growth problems have been exacerbated by three factors. First, Fiji had a military coup in December 2006 and this was a major shock to the economy. Tourism was affected immediately, overall investment dropped and exports declined even further. All these were responsible for a negative 6.6 % growth in 2007 (Prasad and Narayan, 2008). Secondly, between 2007 and 2008 the interim military government pursued a very contractionary fiscal policy, thereby constricting growth. Thirdly, by the time the policy makers realized that their economic policies had caused a significant economic decline in 2007 and 2008, and responded with an expansionary budget for 2009, the onslaught of the global economic crisis was well and truly on Fiji.

The Solomon Island also experienced good growth rates of 5.4 and 6.4 % in 2007 and 2008. The sources of growth came mainly from the exports of logs, for which prices had been rising. However, with the global economic crisis, the price of log fell due to lack of demand. This will seriously affect growth. The ADB (2009) forecasts a growth rate of only 2.2 percent for 2009 and 1.7 percent for 2010. The ADB (2009) also forecasts a bigger decline in the logging volume than originally anticipated. It points out that from November 2008 to February 2009, logging volumes fell by about 22.5 percent compared with the same period in 2007 and 2008. It also projects that if there is a 30 percent decline in logging volume then the GDP growth for 2009 could be zero. If anything, the global crisis has brought into sharp focus how heavily the Solomon Islands is reliant on just one export commodity.

Vanuatu achieved growth rates of almost 5 percent in 2007 and 2008. But projected growth in 2009 and 2010 have been revised to 3.5 percent 0.8 percent respectively. Vanuatu, over the past few years, has invested in its tourism infrastructure, especially on the island of Santo. The result has been an increase in the number of arrivals. In 2007 for example, tourism contributed 38.8 percent to the GDP and provided 34.9 percent of total employment in the country. Vanuatu's future growth prospect in tourism hinges on several factors— political stability or instability in Fiji as it is one of the major tourist destinations in the Pacific and the employment situation in Australia and New Zealand, the major source markets. Agriculture including the export of Vanuatu's prized beef, will also have a bearing on growth.

The Samoan and Tongan economies are showing signs of significant stress. In 2007 and 2008, the Samoan economy grew at a rate of 3.5% and 3% respectively. However, the projection for 2009 and 2010 is negative 1% and negative 0.1 percent. The Samoan economy has been affected by changes in the domestic front due to the impact of the

global crisis. Private sector employment has been affected by job cuts. A private sector company, Yazaki, which has about 2,200 employees, has reduced working days to 4 per week and this has contributed to the contraction in the economy.

Tonga is largely a remittance dependent economy, and since March 2008 money coming in has been declining, causing a serious setback to growth prospects. The growth rate in 2007 was negative 3.5 %. There was a slight improvement in 2008 due to the increase in tourism, where there was a modest positive growth of 0.8%. Tonga is expected to remain in a negative growth scenario in 2009 and 2010. Tourism could hold good future prospects for Tonga if it takes Vanuatu's example and invests in infrastructure and marketing.

In the Cook Islands, economic growth in 2007 and 2008 was weak. Projected growth of 1% and 0.8 % in 2009 and 2010 indicate a worsening situation. Cook Island is a small economy dependent largely on tourism. It has very close economic and political relationship with New Zealand, and the majority of its visitors come from there. Visitor arrivals to the Cook Islands declined by 3.1% in 2008. Many Cook Islanders work in New Zealand and the worsening labour market there, is likely to cause unemployment. This will affect remittances, although not to as large an extent as in Tonga. Any fall in tourism will affect local businesses and this will worsen the unemployment situation.

Tuvalu, Marshall Islands, Kiribati, Palau and Federated States of Micronesia are small economies with little natural resources and export potential. All these countries have funds/savings invested in offshore equity markets. Due to the global crisis, the value of these investments have plunged. For FSM and Marshall Islands, the funds are mainly for long-term use, and some of the value will be recovered. However, for Tuvalu and Kiribati, this may not be the case. The challenge for these countries is to reduce their government spending so that the drawdown from trust funds is smaller and sustainable in the long-term. Given the negative impacts of the crisis on food prices and on remittances, these countries will find it harder to resist using their trust funds.

Table 3 shows the key indicators of fiscal sustainability. Most countries show high levels of debt and budget deficits. This is really not a recent development. This has been a feature of the PICs and many have been struggling to keep down their levels of budget deficits. The current economic crisis is further going to put a strain on their budgets and most are likely to increase their budget deficits and debt levels.

Table 3: Key indicators of fiscal sustainability

Country	Gross public debt		Budget Balance (% of GDP)		
	External Debt	Total Debt	2007	2008	2009
Cook Islands		15.7 ('08)	0.1	-0.8	-8.1
Fiji Islands	15.3 ('08)	48.0 ('08)	-1.8	-1.5	-3.0
FSM	27.8 ('08)		-3.3	-3.0	-3.0
Kiribati	11.5 ('08)		-3.4	-13.0	
Nauru	1338.3 ('07)		4.8	0.6	0.0
Palau	10.0 ('07)		-4.9	-4.8	
PNG ^a	13.3 ('08)	29.0 ('08)	7.5	3.4	-2.9
RMI	60.1 ('08)		-0.6		
Samoa	31.2 ('08)		1.1	-3.2	-5.5
Solomon Islands	22.1 ('07)	43.0 ('08)	-0.3	-5.6	-3.7
Timor-Leste	0 ('07)	0 ('08)	264.3	251.8	90.1
Tonga	29.3 ('08)	33.8 ('08)	1.4	2.0	1.0
Tuvalu	34.0 ('07)		-14.3	-5.4	
Vanuatu	20.7 ('06)	29.4 ('05)	0.14	6.30	

FSM= Federated States of Micronesia, PNG=Papua New Guinea, RMI=Republic of Marshall Islands, blank spot=not applicable/ available.

^a Official estimates adjusted for trust account account deposits/ withdrawals as announced in the 2009 Budget. Source: ADB (2009)

Table 4 summarises the reserves, inflation and current account balances of PICs. Except for Tonga, the reserves in all the countries declined. In the case of Fiji, there has been a substantial decline from 4.4 months to 2.9 months. For Fiji, the low growth rates in 2007 and 2008 as a result of the military coup was compounded by the global crisis and caused significant pressure on the reserves. Other PICs have suffered through a decline in their exports and remittances, again a result of the depressed demand for exports and labour in the importing countries.

Inflation was high in all the countries in 2008. The projected rates for 2009 are generally lower, but these projections could change. For many of the PICs, the rising fuel and food prices would add to their woes.

Table 4: Reserves, Inflation and Current Account balances of PICs

	Official reserves	foreign (months of imports)	Inflation (Annual average %)	(Annual	Current Balance (% of GDP)	Account
	End-2007	End -2008	2008	2009p	2007	2008
Cook Islands			7.8	5.1	6.2	4.5
Fiji Islands	4.4	2.9	7.7	4.5	-17.3	-21.0
FSM			5.0	2.9	-12.8	-20.0
Kiribati			11.0	6.5	-75.4	-72.6
Marshall Islands			17.5	9.2	-27.7	-26
Nauru			4.5	3.3	-9.8	
Palau			12.0	6.4	4.6	
PNG	13.0	10.9	10.8	7.0	2.0	8.7
Samoa	4.7	4.4	11.5	7.0	-4.3	-10.2
Solomon Islands	3.7	2.5	16.5	8.6	-2.6	-4.9
Timor-Leste			7.6	7.1	348.3	
Tonga	4.4	4.8	9.9	6.2	-10.1	-10.8
Tuvalu			5.3	3.7		
Vanuatu	7.0	5.8	5.8	3.9	-9.9	-11.4

Source: Sources, ADB, 2009 and ESCAP, 2008

Apart from Cook Islands and PNG, all other PICs have had consistently negative current account balances. The declining demand for exports would add further to the decline in the current account balances. Table 5 shows the international movements in prices of commodities. For the majority of the commodities, the prices are projected to be lower for 2009. The World Bank (2008) predicts that non-energy commodity prices are likely to decline by about 19 percent in 2009. Countries such as Solomon Islands, PNG, Fiji and Vanuatu face the prospect of declining commodity exports and a worsening fiscal crisis in the next two years.

Table 5: Recent prices of Commodities, 2006-2009 (US\$)

	2006	2007	2008	2009 (Jan)
Cocoa(c/kg)	159.2	195.2	257.7	262.4
Coffee(c/kg)	252.2	272.4	308.2	282.9
Tea (c/kg)	187.2	203.6	242.0	219.2
Palm Oil (US\$ per metric tonne)	478	780	949	534
Logs Malaysian(US\$ per cubic metre)	239.4	268.0	292.3	329.7
Sawnwood Malaysian(US\$ per cubic metre)	749.0	806.3	889.1	818.4
Copper (US\$ per metric tonne)	6,722	7,118	6,956	3,221
Gold (US\$ per troy ounce)	604	697	872	859
Crude oil (US\$ barrel, average spot price)	64.29	71.12	96.99	43.86

Source: World Bank, 2009a. Commodity Pink Sheet, February, World Bank, Washington, DC.

3.0 Transmission Mechanisms and Policy Responses

A recent report from the ADB (2009: 10) pointed out the following transmission effects which are likely to have an adverse impact on the Pacific Island Economies:

- (i) Declining prices of agricultural commodities will quickly lower incomes for small holders and plantation, and as logging prices fall, so will logging incomes. Rural areas dependent on tourism will experience a decline in incomes as fewer tourists arrive, or spend less;
- (ii) Household spending will decline as rural incomes weaken, and as the flow of remittances declines;
- (iii) The demand for transport and other goods and services used in rural production will weaken, affecting a range of rural businesses in formal and informal sectors;

- (iv) Urban economies will weaken as demand from rural areas slows, as remittances to urban households decline, and as demand for the tourism and other services based in the main centers, such as international shipping;
- (v) Private Investment will slow as economies slow and as lower commodity prices, weaker external demand, and potential difficulties in accessing investment funding affect project viability. Projects that are either export oriented or otherwise reliant on overseas demand are most at risk;
- (vi) Government revenues will decline as private expenditure and income declines. Mining and oil projects, facing lower international prices, will also pay less government revenue. If governments are to avoid deterioration in their fiscal position, they will need to contract or slow growth in government expenditure. Labour and business engaged in the provision of public services will be affected; and
- (vii) Living standards will begin to deteriorate. For example, poverty is likely to rise as incomes decline. Children may be withdrawn from school because fees can no longer be afforded, and mobile health services may become more infrequent.

In addition to the above more specifically for PICs, export demand would be lower but with lower prices expected for commodities such as oil, import costs to PICs could be lower. Global slowdown could further affect long-haul tourism although reduction fuel prices could help. Balance of payment problems could arise largely through the negative impact of reduced remittances, lower volume of aid flow, worsening trade and for some increased debt service requirements.

According to April 2009 Asian Development Outlook, growth performance of all FICs is expected to decline in 2009. In particular, FICs dependent on high global commodity prices will experience significantly lower economic growth, especially PNG (4.0% from 7% in 2008), Solomon Islands (2.2% from 6.4% in 2008), and Vanuatu (3.5% from 6.3% in 2008). Elsewhere, negative growth is expected for Fiji, FSM, Palau, Samoa and Tonga, whilst the rest of the FICs are expected to grow between 0.5% - 1.5% in 2009.²

3.1 Policy responses

The main policy response to the global economic crisis in many of the developed countries has been the fiscal and monetary policy stimulus to create domestic demand. Many economists of the Keynesian tradition take heart from this as they believe that markets may have failed in some of the instances. However, if one looks carefully at some of the instruments of fiscal policy to stimulate demand, one finds that they are not necessarily against the principle of market-oriented policies. In fact, one may consider some actions such as aid for trade measures, thereby supporting some of the market-oriented reforms. However, the stimulus packages differ from country to country and are embedded in their own unique contexts.

² Asian Development Bank, 2009

In a recent study ADB (2009) several relevant policy approaches in the PICs were highlighted. These include monetary policy, exchange rate management, fiscal policy, structural policy and policy on social protection. There are several policy options being considered by PICs, or could be considered over the next few years (Narayan, 2009).

Larger countries and those currently using stimulus packages operate very independent monetary policies. Amongst the PICs, only Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu operate independent monetary policies. Some of the countries have tried to lower official cash rates to reduce interest rates to stimulate investment. In addition, countries like Fiji have reduced the required reserve ratios to increase lending so that there is more to lend in the economy. The Central Bank of Vanuatu also changed its reserve ratio to ease lending to consumers and investors. All these make sense in terms of promoting economic activity in slow and difficult times.

Exchange rate management is another area that PICs as small economies have to grapple with. For many PICs dependent on exports of primary products and on tourism, maintaining the competitiveness of their exchange rate is vital and more critical in the current economic environment. In fact, the PICs faced similar challenges after the 1997 Asian Financial Crisis, and managed to use exchange management tools to weather the negative impacts of that crisis. Many of the PICs have also identified exchange rate management as a tool to navigate through the crisis. Fiji, in particular, saw exchange rate management as a major issue in managing the foreign reserves. Fiji devalued its dollar by 20 percent recently to bring some competitiveness in its exchange rate. There is obviously debate as to how this will impact on the economy. While exports, tourism and remittances may benefit from this policy, the political instability in Fiji is likely to negate some of the positive benefits that could have arisen in the medium term.

3.2 Trade Policy and potential in the current economic climate.

Of the PICs, only Papua New Guinea, Solomon Islands, Tonga and Fiji are full WTO members. There are four trade agreements which have some specific impacts on the PICs. Two of these are inter-PIC agreements— the Melanesian Spearhead Group Trade Agreement (MSG) including Solomon Islands, Fiji, Vanuatu and Papua New Guinea and Pacific Island Countries Trade Agreement (PICTA) including all PICs except Marshall Islands and Palau. PICs have also been negotiating the Economic Partnership Agreements (EPAs) with the EC. So far only Fiji and Papua New Guinea have signed interim EPAs to ensure continued access of their sugar and tuna to the EC market. Other PICs continue to benefit from EC's GSP programme and concessional free trade to some of the least developed member countries such as Kiribati, Solomon Islands, Tuvalu and Vanuatu. The Pacific Agreement on Closer Economic Relations (PACER) has been signed and further negotiations are to begin in 2010 to further focus on regional integration.

The implication of the current crisis on exports can be better understood by analysing the trade figures (imports and exports) of the PICs. Tables 6 and 7 show the import and export share of PICs in their top four markets. There is little inter-regional exports,

amounting to only 15% of total exports. This is likely to be further affected as demand for exports from the PICs decline due to falling incomes in developed economies. For some of the remittance dependent economies such as Tuvalu, Kiribati, Samoa and Tonga, the decline in imports caused by lower remittances can have implications for the overall trade volumes.

Table 6: PIC Export Markets (% total exports), 2006

	Market 1		Market 2		Market 3		Market 4		Share 4 Markets	Intra-regional share
Cook Is.	Japan	30.8	NZ	12.9	Australia	7.1			50.8	20
FSM	Japan	21.4	USA	20.9	Guam	3.4			45.7	0
Fiji	USA	19.1	Australia	16.5	UK	11.9			47.5	16.5
Kiribati	USA	26.2	Belgium	24.6	Japan	16.4	Australia	8.6	75.8	8.6
Nauru	S. Africa	56.7	India	15.4	Canada	5.9	Australia	1	79	1
Niue	N/A									0
RMI	N/A									0
Palau	USA	N/A	Japan	N/A	Singapore	N/A				0
PNG	Australia	29	Japan	8.7	China	5.4			43.1	29
Solomon	China	39.7	Korea	15.1	Thailand	6.7	Australia	1.3	62.8	1.3
Samoa	Australia	65.5	USA	8.2	A. Samoa	3.5			77.2	65.5
Tonga	Japan	33.3	USA	26.6	NZ	11.1	Australia	2	73	13.1
Tuvalu	Germany	62.1	Italy	20.7	Fiji	7	Australia	2.7	92.5	9.7
Vanuatu	Thailand	47	Malaysia	18.6	Poland	8.3	Australia	1.5	75.4	1.5
Average									65.71	15.11

Source: Nathan (2007)

Table 7: PIC Import Sources (% total imports), 2006

	Source 1	Source 2	Source 3	Source 4	Share 4 Sources	Intra-regional share
Cook Is.	NZ 79.3	Australia 6.3	Fiji 6		91.6	91.6
FSM	USA 36.1	Guam 13.9	Japan 11.5	H. Kong 5.8	67.3	0
Fiji	Singapore 27.3	Australia 23.5	NZ 18.6		69.4	42.1
Kiribati	Australia 33.5	Fiji 27.5	Japan 18.4		79.4	61
Nauru	Australia 63	USA 10.3	Germany 7.5		80.8	63
Niue	NZ 97.6	Australia 0.3			97.9	97.9
RMI	USA 65.4	Australia 13.4	Japan 4.9		83.7	13.4
Palau	USA 45	Singapore 27.9	Japan 8	Philippines 6.5	87.4	0
PNG	Australia 55.7	Singapore 13.7	Japan 4.4		73.8	55.7
Solomon	Australia 25.5	Singapore 25	NZ 6		56.5	31.5
Samoa	NZ 21.8	Fiji 20.5	Singapore 12.2	Australia 8.8	63.3	51.1
Tonga	NZ 36.1	Fiji 26	Australia 10.2		72.3	72.3
Tuvalu	Fiji 45.8	Japan 18.8	China 18.1	Australia 7.7	90.4	53.5
Vanuatu	Australia 15.2	Japan 13.8	Singapore 12.1		<u>41.1</u>	<u>15.2</u>
				Average	75.35	46.31

Source: Nathan (2007)

Tables 6 and 7 show that the bulk of exports and imports of the PICs are from four sources — Australia, New Zealand, USA, Singapore and Japan. The three main economies on which most of the PICs depend on for their trade are experiencing serious economic decline, and a delayed recovery in these countries could have major consequences for the PICs.

Table 8 shows the trade share of GDP for the PICs. For most of them, a decline in trade volumes will have direct implications for the GDP, which means lower growth rates in the future.

Table 8: Trade share of GDP 2006.

Country	Trade share of GDP (2006)
Cook Is.	74.0
Fiji	82.9
Kiribati	92.3
Marshal Is	59.2
Micronesia	56.9
Nauru	166.9
Palau	115.7
PNG	79.9
Samoa	44.9
Solomon Is.	55.1
Tonga	53.7
Tuvalu	42.1
Vanuatu	47.4

Source: ADB, 2007

The decline in the volume of trade can have serious consequences for the level of government revenue. While many of the PICs have been concerned about trade liberalisation and loss of revenue as a result of this, the situation many of them now face is that even without liberalisation, revenue could decline due to lower import volumes. Table 9 shows the volume of tariff revenue that PICs derive as a percent of total revenue. While some countries such as PNG, Fiji and Solomon Islands are increasingly moving away from dependency on tariff revenue to other indirect forms of taxes such as the value added tax, other countries still see tariffs as an important source of revenue for the government. However, even for those bigger countries which have moved towards VAT, the scope of increasing revenue significantly would not be there in the short to medium term.

Table 9: PIC Tariff Revenues

	<i>% of Total Revenues</i>	<i>ANZ, % of Total Revenues</i>	Tariff Revenues from ANZ, USD
Tonga	33.3	17.2	9,845,417
Vanuatu	27.1	17.2	12,398,316
Samoa	25.0	14.0	15,041,762
Kiribati	23.0	14.3	7,917,941
Marshall Islands	21.3	2.2	718,881
FSM	17.7	0.6	267,186
Fiji	17.4	4.9	35,173,983
Cook Islands	15.1	12.2	6,460,122
Solomon Islands	9.0	3.7	3,072,816
PNG	3.6	1.4	17,735,890
Niue	2.9	2.8	399,982

Source : (IIT, 2008)

It is estimated that countries will encounter revenue losses of serious magnitudes as a result of further liberalization of trade regimes. For example, it is estimated Samoa is likely to lose about 10 million dollars if it were to sign the PACER-Plus agreement (Samoa Observer, June 20, 2009). This has been one of the concerns of the PICs for sometime, and many are still contemplating the policy responses to further trade liberalization expected under the PACER-plus negotiation with Australia and New Zealand.

3.3 Agricultural Policies

For many PICs, increasing trade by trying to increase manufactured exports that is not based on agriculture, fisheries and forestry is unlikely to yield good results. For Fiji, the export of garments is on the decline, and this trend is likely to continue as demand declines in Australia and New Zealand. In addition as Australia and New Zealand further

liberalize their trade, competition for exports to these countries would increase from bigger and cheaper exporters such as China and India.

The potential therefore rests with the primary sector. For bigger countries like Fiji, Vanuatu, Solomon Islands and PNG there is an opportunity to raise the exports of agricultural goods in the short to medium term. Already these countries are looking to agriculture as a direct response to the economic crisis as forestry does not hold much potential for these countries. In the Solomon Islands for example, data shows that between November 2008 and February 2009, logging volumes declined by about 22.5% (ADB, 2009). It is projected that in 2009, the decline could be as much as 30%. This would reduce GDP growth to almost zero, and if other sectors don't perform, it is likely that the Solomon Islands will be heading towards negative growth. The ADB (2009) projects that the Solomon Islands could face a balance of payment crisis in 2009-2010, and would need to put in place severe austerity measures to address that crisis. It would probably require external assistance.

Fiji has responded to the crisis by putting an emphasis on agriculture. This was in response to the increased global commodity prices. Fiji has, for example, increased output of rice and traditional root crops such as taro and cassava.

Vanuatu also has the potential to raise agricultural output. The Vanuatu Agricultural Development Bank started its operation in 2008, and it is likely to put emphasis on increasing agricultural productivity. This would be a prudent policy option given that Vanuatu is also experiencing growth in tourism, and some of the increase in production in agriculture could feed the tourism industry and help ease the import demand in that sector.

While Papua New Guinea has used its mineral and oil income to raise its public spending as an overall response to the crisis, it could also concentrate on agriculture.

The issue of food security for all the PICs is likely to be a serious one as they all face declining levels of income, low employment levels, reduced remittances. It is therefore prudent that all PICs ensure that agricultural and fisheries production is not affected. Apart from exports, production for domestic consumption would be important. It is here that prudent infrastructure spending on the agricultural sector should be considered. It is a known fact that PICs have not been able to substantially improve the output and quality of their agricultural exports, and perhaps this crisis presents an opportunity for many of them to improve the infrastructure for rural agricultural production and marketing. In addition, attempts should be made to address the often binding constraints to agriculture such as land tenure, high labour costs and marketing infrastructure.

3.4 Social Protection policies

Samoa announced recently that it was reducing spending on education by 8 % and health by 14.9 % for 2009-2010 budgets. The Minister of finance attributed this to the impact of global crisis. He said that, "for small Pacific States like Samoa, we cannot avoid being

affected given our highly open economy and weak fiscal resilience which combined leave us with little protection to cushion the impact of the economic downturn” (PACNEWS, Saturday, 20th June, 2009). This sums up the situation for most PICs. As economies experience low growth rates, many of these countries will find it difficult to allocate resources for various social protection policies. In light of this, Fiji took a bold step in raising wages for its non-unionised workers in some of the labour intensive sectors such as garments, wholesale and retail sectors, hotel and catering and the manufacturing sectors from 1st July, 2009.

3.5 Summary of policy responses and its effectiveness

Table 10 provides a summary of the key policy initiatives as compiled by the ADB in its recent reports. It shows that all the PICs are responding in their own ways, with varying degrees of success. Generally, most of them are receiving technical advice and help from international lending and donor agencies. FSM, Kiribati, Palau and RMI are countries which are drawing down their savings from trust funds and this is considered a bad policy response as the funds could become unsustainable.

Table 10: Key policy initiatives-potential or already in place^a

Country	Information Sharing and open dialogue	Careful, Short lived monetary Expansion	Maintain a competitive exchange	Manage the fiscal shock, and where sensible provide a short lived, value-for money fiscal stimulus, by				External	Quick-win Structural initiatives	Help the Vulnerable
				Making Better use of existing resources	Using External Grants	Drawing Down own savings	Borrowing Domestic			
Cook Islands	√			√	√	√	√	√	√	√
Fiji Islands	√	x	√	√	√		possibly	√	√	√
FSM	√			√	√	x	x	X	√	√
Kiribati	√			√	√	x	x	X	√	√
Nauru	√			√	√		x	X	√	√
Palau	√			√	√	x	x	X	√	√
PNG	√	√	√	√	√	√	√	√	√	√
RMI	√			√	√	x	x	X	√	√
Samoa	√	possibly	√	√	√		√	√	√	√
Solomon Is	√	x	√	√	√		x	X	√	√
Timor-Leste	√			√	√	√	√	√	√	√
Tonga	√	possibly	√	√	√		x	X	√	√
Tuvalu	√			√	√	x	x	X	√	√
Vanuatu	√	possibly	√	√	√		√	√	√	√

FSM + Federated States of Micronesia, PNG = Papua New Guinea, RMI = Republic of the Marshal Islands.

Legend: √ = justified, x = unsuitable, blank = not applicable

a. Some initiatives are already in place. In some cases additional action may not be required, while in others there may be good arguments for winding back some recent actions.

Source: ADB

4.0 Official Development Assistance and the achievement of MDGs in the PICs by 2015

Without even the global economic crisis, the progress on achieving MDGs in the PICs has been uneven and less than impressive. A recent stock take of MDG progress in the Pacific shows that many of them will not achieve their targets (Prasad, 2009). The reason for much of the lack of progress is the slow economic growth in many PICs. The global crisis will further reduce the capacity for growth in PICs. The average growth rate across the region was only 2.6%³ in 2006 compared to 7.9% average for the developing economies of ESCAP. This seemingly low economic growth has affected the capacity of PICs national governments to generate employment, resulting in increased poverty in both urban and rural areas. However, with the onslaught of the global crisis and the lower projected growth rates for 2009 and 2010, many PICs will further slip into a situation where the progress made in the achievement of MDGs would be minimal, if not non-existent. Furthermore, Fiji, Tonga, Solomon Islands, Papua New Guinea, Kiribati and Marshall Islands face the serious risk of reversal in the progress towards MDGs (see various UNDP country assessment on MDGs).

4.1 MDGs unlikely to be met by PICs

Goal 1

Poverty in the PICs have risen over the last decade (see Table 11). With the exception of the Cook Islands, all the PICs have high rates of poverty. Fiji, Kiribati, Papua New Guinea and Vanuatu have poverty rates of more than 30 percent.

Table 11: Poverty headcount ratio (% of population below the national poverty line)

Country	MDGI 1b: % of Population Below Basic Needs Poverty Line			
	National	Urban	Rural	Year & Source
Cook Islands	12.0	-	-	1998 HIES
Fiji	25.5	27.6	24.3	1990/91 HIES
	34.4	31.8	38.1	2002/03 HIES
Kiribati	50.0	51.0	50.0	1996 HIES
Marshall Islands	20.0	-	-	1999 Census
FSM	27.9	29.5	32.9	1998 HIES
PNG	37.5	-	-	1998 HIES
Samoa	20.3	23.3	17.9	2002 HIES
Solomon Island	22.7	32.2	18.8	2005/06 HIES
Tonga	22.3	23.6	22.8	2001 HIES
Tuvalu	29.3	23.7	23.4	1994 HIES
	25.9	29.8	24.7	2004/05 HIES
Vanuatu	40.0	-	-	1998 HIES

Source: ADB, World Bank, UNDP Estimates, Pacific Regional MDG Report 2004

³ ADB Outlook Update 2007.

Except for the Cook Islands and Niue, the rest of the PICs are almost unlikely to achieve goal 1. Measuring the poverty incidence based on the proportion of population below \$1(PPP) per day is also not available for PICs. There is a problem concerning the availability of good data on poverty. Often the national statistical offices are not able to estimate figures adjusted to PPP, therefore making it difficult to measure the progress. In addition, PICs who are unlikely to achieve goal 1 also do not have recent HIES report. When the report is available, it is more than 4 years old, so determining the incidence of poverty is hard. It is further made worse because PICs are not able to conduct national census on a regular basis. Palau, Nauru, Tonga and Tokelau do not have data available on the indicators of goal 1. Limited access to quality basic services and infrastructure, limited income generation opportunities and governments not directly addressing poverty alleviation in development plans have made matters worse. This was a situation before the global crisis but given the projected growth rates of the PICs, the majority of them are likely to see the level of poverty rise.

Goal 2

Except Nauru, PNG and Tokelau, all other PICs could achieve goal 2. Assessing progress for Nauru and Tokelau is difficult since there is no data available. PNG is unlikely to achieve goal 2 because enrolment data suggest that progress has slowed down. Net primary enrolment has remained static at around 93 per cent.

Goal 3

Kiribati, PNG and Solomon Islands are unlikely to achieve goal 3 while Nauru and Tokelau do not have data available to support any conclusions on their progress. In Kiribati, the female to male ratio at primary school level has been below 1 from 2001 to 2006. Papua New Guinea also exhibits a low female to male enrolment ratio in schools. The gender gap is also noticeable in literacy rates. The Solomon Islands crisis made the situation worse for the country. Female to male ratio remains low, with no women participating in politics.

Goal 4

The Marshall Islands, FSM, PNG and Solomon Islands are unlikely to achieve goal 3, while Nauru and Tokelau do not have data to analyze their progress. In the Marshall Islands, infant and child immunization outputs are significantly low, while in the FSM, there is concern about the general lack of data on immunizations and major health indicators. The under-five mortality rate (per 1,000 live births) remains high in PNG. In the Solomon Islands, access to basic maternal and child health services varies significantly.

Goal 5

PNG and Solomon Islands are unlikely to achieve goal 5. The Maternal mortality rates are very high in Solomon Islands and the government has also been unable to pay doctors

and other health workers regularly. PNG's maternal mortality rate (at least as reported) more than doubled between 1995 and 1998.

Goal 6

Fiji, Kiribati, Marshall Islands, PNG and Tuvalu are unlikely to achieve goal 6. Fiji is facing an epidemic-like rise in diabetes and hypertension. These diseases are an indication of growing prevalence of obesity and sedentary lifestyles in the PICs. In Kiribati, there is evidence that lifestyle diseases such as diabetes and hypertension, are increasing. In Marshall Islands dual disease pattern of both communicable and non-communicable diseases such as influenza and conjunctivitis are a rising concern. In PNG, Malaria, Tuberculosis and HIV /Aids remain a major cause of morbidity. The prevalence of infectious diseases in Tuvalu continues to be a major cause of morbidity. In addition, life-style diseases are increasing.

Goal 7

Kiribati, Marshall Islands and PNG are unlikely to meet goal 7. Water and sanitation indicators are poor. In Kiribati, less than half the population has access to safe drinking water, with significant differences between urban and rural areas/outer islands. In the Marshall Islands, access to potable water and improved sanitation facilities is low, with significant differences between rural/outer islands and urban areas. In PNG, access to safe drinking water is very low (42%) with huge discrepancies between urban (88%) and rural (32%) areas. In addition deforestation is also continuing.

Goal 8

All PICs until recently were probably or potentially likely to achieve goal 8. The success of achieving goals 1-7 lies on goal 8. Data are sketchy for PICs on ODA. The fulfilment of the ODA target of 0.7 percent of GNP by developed countries was expected to finance sustainable and critical development projects during normal times. The critical point to note here is that this commitment was made by the developed economies in Monterrey in 2002 but only few countries could meet this target. The PICs and indeed most small states may need this commitment now more than they did before the crisis. If one looks at the level of fiscal stimulus package in some of the developed countries, including Australia and New Zealand, the amount of aid as a percentage of the total stimulus packages would be very small. Aid in this period would also be critical as overall financial flows to the PICs would decline. This would come about through reduced investment spending, reduced remittances and trade credits. Aid at this point in time would help PICs to respond better to the crisis generally. For Australia and New Zealand, it would be prudent to expand the volume of aid to the PICs for economic and social protection infrastructure. This would also contribute to the economies of Australia and New Zealand through continued demand for their products from the PICs. In fact, aid to PICs would amount to stimulus packages to PICs and it could also cushion their extreme fiscal austerity measures. Table 12 provides a summary of the progress towards MDG's in the PICs.

Table 12: Summary of Progress towards MDGS in PICs

Country	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	Goal6	Goal 7	Goal 8	Unlikely to Achieve
	Eradicate Extreme Poverty & Hunger	Achieve Universal Primary Education	Promote Gender Equality & Empowerment of Woman	Reduce Child Mortality	Improve Maternal Health	Combat HIV/AIDS and other Diseases	Ensure Environmental Sustainability	Develop Global Partnership for Development	
Cook Islands	Achieved	Probably	Probably	Achieved	Achieved	Probably	Potentially	Probably	-
Fiji	Unlikely	Potentially	Probably	Potentially	Potentially	Unlikely	Potentially	Potentially	2 goals
Kiribati	Unlikely	Possible	Unlikely	Potentially	Potentially	Unlikely	Unlikely	Potentially	4 goals
Marshall Islands	Unlikely	Potentially	Likely	Unlikely	Potentially	Unlikely	Unlikely	Potentially	4 goals
FSM	Unlikely	Potentially	Likely	Unlikely	Potentially	No data	Potentially	Potentially	2 goals
Nauru	No data	No data	No data	No data	No data	No data	No data	Potentially	-
Niue	Achieved	Achieved	Achieved	Achieved	Achieved	Potentially	Potentially	Potentially	1 goal
Palau	No data	Potentially	Potentially	Potentially	No data	No data	Potentially	Potentially	-
PNG	Very Unlikely	Very Unlikely	Very Unlikely	Very Unlikely	Very Unlikely	Very Unlikely	Very Unlikely	Very Unlikely	8 goals
Samoa	On target	Potentially	Achieved	Achieved	Achieved	On target	likely	Potentially	1 goal
Solomon Island	Unlikely	Probably	Unlikely	Unlikely	Unlikely	Potentially	Potentially	Likely	4 goals
Tokelau	No data	No data	No data	No data	No data	No data	No data	No data	-
Tonga	No Data	Likely	Likely	Potentially	Likely	No data	Likely	No data	-
Tuvalu	Potentially	Probably	Probably	Potentially	Probably	Unlikely	Potentially	Probably	1 goal
Vanuatu	Unlikely	Potentially	Potentially	Potentially	Potentially	No data	Likely	potentially	2 goal

(Source: Prasad, 2009)

5.0 Concluding Comments and Policy Implications

The current global economic environment is going through a turbulence and many countries, including small states, are hedging their policy options both for the short-term and long-term. Apart from the global turbulence, there are long-standing difficulties peculiar to many to the small states. Pacific Island states were facing several challenges even before the global crisis. These included the social and economic consequences of climate change, adjustments and responses to regional trade agreements such as PICTA, PACER Plus and EPA, vulnerability to natural disasters and improving their institutions for good governance. The onslaught of the global economic crisis is certainly going to make matters worse.

Generally, there is a better understanding of the impact that the global crisis could have on the PICs and many of them are responding with various policy options. However, it must be noted that many of the PICs had been going through difficult economic periods even before the global crisis. With the exception of Papua New Guinea, Samoa and Cook Islands, most PICs had consistently low growth rates. They were lagging behind in terms of achieving the MDG goals by 2015. The situation has worsened and some of the progress made in achieving the MDGs could even be reversed. This could be the case in Fiji, PNG, Solomon Islands, Kiribati, Marshall Islands and Tonga.

Most of the PICs have limited capacity to use fiscal stimulus packages to cushion the impact of the crisis. Most of them have had persistent budget deficits, high level of debts and large trade deficits. Some of them such as Fiji are already facing balance of payment crisis and used exchange rate management as a tool to deflect the worst.

The main channels through which PICs are facing severe economic consequences include: Exports declining due to declining demands in close trading partners (Australia and New Zealand). Tourism, which has been a driver for economic growth in several of the PICs is being affected, especially in Fiji, although much of the problem started before the onslaught of the global crisis due to the military coup in 2006. While there are signs of improvement in tourist numbers especially in Vanuatu, Samoa and Cook Islands, these are mainly tourists diverting from Fiji. PICs need to develop an enhanced regional strategy for marketing their products, and it is possible that tourism could help in a quicker recovery in some of the economies.

Remittances from Australia and New Zealand play an important part in the economies of many of the small states in the Pacific. New Zealand has been a liberal employer and facilitator of temporary workers and seasonal labour. But the New Zealand economy has been hit more seriously than Australia, and the impact is that less and less Pacific people will be able to find employment in New Zealand. Australia has always been very conservative when it comes to seasonal labour from the PICs. It is unlikely that Australia will allow more seasonal and temporary workers to its shores. It would not be the politically correct thing to do when both countries are experiencing job losses locally.

While Australia and New Zealand may be going through tough times, they can still provide much better relief and policy responses to help the PICs. In fact it would mutually beneficial if Australia and New Zealand were to put in more in terms of aid to support trade and development at this point in time. These two countries are major trading partners of PICs and will be the direct beneficiaries of the spin-offs of any aid.

Pacific trade ministers at their meeting in June 2009 in Apia, Samoa, decided that the Pacific Agreement on Closer Economic Relations (PACER-Plus) commence the negotiations after the forum leaders meeting in August. The ministerial statement said that “Ministers recognised the importance of deepening regional trade integration as a means to create jobs, enhance private sector growth, raise standards of living and advance the region’s sustainable economic development (Ministerial Statement, 17 June, 2009, Apia, Samoa).

While the negotiations for PACER-plus provide a longer-term opportunity for a deeper economic integration of the PICs economies with Australia and New Zealand in the short to medium term, PICs would need a lot of support for adjustment to ride through the current economic crisis. Australia and New Zealand should work with international organisations to create a **Pacific Adjustment Fund**, which would be needed for several years to provide support for enhancing trade and support for building capacity. In fact the 13 island countries of the South Pacific Forum (through their Finance Ministers and

Heads of Finance Ministries/ Departments) have already suggested ways in which PICs could be helped in the current crisis. They adopted the following principles: additionality; limit wastage of resources spent on studies and consultancies; front loading of assistance; targeted budget support; and flexible programme funding.⁴ In addition the Asian Development Bank has also suggested a similar approach as has suggested a specific Regional Contingency Fund for balance of payment support.

Without these funds many of the PICs would not be able to build capacities in their economies to enhance trade and raise their incomes. In fact, without this support, many of the PICs are likely to lose significant revenue and export opportunities, and only some bigger countries such as Fiji and Papua New Guinea would be able to benefit. Even these two countries would need significant aid for trade for several years before they would be able to adjust fully to the PACER-plus agreement.

Given the past poor economic performances of the PICs⁵ and many of the constraints to good economic growth, it is unlikely that PICs would be able to come out of the current economic crisis quickly. The projected growth rates for 2009 and 2010 are negative for most PICs. To achieve positive growth rates for 2011 and 2012, they would need significant external support in the form of official development assistance to support their export potential and budgetary provisions for economic and social infrastructure. In addition, they would need technical assistance to sustain some of the positive policy responses that they have put in place to respond to the global economic crisis.

⁴ Pacific Developing Member Countries group statement delivered by PNG Treasurer at the 2009 Asian Development Bank, Annual Board of Governors meetings, Bali (full statement can be found on www.adb.org)

⁵ See for example, Commonwealth of Australia (2006, 2008) and ESCAP (2008).

6.0 References

ADB (2009) Pacific Economic Monitor, May, 2009. Asian Development Bank, Suva.

Asian Development Bank 2008, Navigating the Global Storm: A Policy Brief on the Global Financial Crisis. Website <http://www.adb.org/Documents/Reports/Navigating-Global-Storm/global-storm.pdf> (accessed 11 February, 2008).

Asian Development Bank 2007, Asian Development Outlook 2007. Website <http://www.adb.org/Documents/Books/ADO/2007/part010400.asp> (accessed 10th December, 2008).

Commonwealth of Australia (200) *Pacific Economic Survey: Connecting the Region*, Commonwealth of Australia, Canberra.

Commonwealth of Australia (2006) *Pacific 2020: Challenges and Opportunities*, Commonwealth of Australia, Canberra.

Economic and Social Commission for Asia and the Pacific (2008), *Sustaining Growth and Prosperity*, ESCAP, Bangkok.

International Institute for Trade (2008) *Research Study on the Benefits, Challenges and Ways Forward for PACER PLUS*, The University of Adelaide, Australia.

Narayan, P.K. (2009) The Global Financial Crisis and the Pacific Island Economies, Keynote address to the PACE programme, Apia, Samoa, June 2009.

Nathan Associates, (2007) "Pacific Regional Trade and Economic Cooperation Joint Baseline and Gap Analysis", Report to the Pacific Islands Forum Secretariat, Suva.

Prasad, B.C. (2009) MDGs in the Pacific Islands Countries: Taking Stock, Emerging Issues and Way Forward, Report prepared for the Asian Development Bank, Manila, Philippines.

Prasad, B.C. and Narayan, P.K. 2008, "Reviving Growth in the Fiji Islands: are we swimming or sinking?", *Pacific Economic Bulletin*, Vol.23, No.2, pp. 5-26.

Secretariat of the Pacific Community 2004, Pacific Regional Millennium Development Goals Report. Website www.spc.int/mdgs/MDGReport/Reg_report.htm - 5k. (accessed 11th December, 2008)

United Nations 2007, MDG Monitor. Website: <http://www.mdgmonitor.org> (accessed 15th December 2008).

United Nations Development Programme Pacific Center 2008, Annual Report 2007.

Website http://www.undppc.org.fj/_resources/article/files/PC_Annual_Report_2007.pdf.
(accessed 12th December, 2008)

United Nations Development Programme 2004, Papua New Guinea Millennium
Development Goals National Report 2004. Website
[http://www.undp.org.fj/_resources/main/files/PapuaNewGuinea
Islands%20%20MDG%20Report.pdf](http://www.undp.org.fj/_resources/main/files/PapuaNewGuineaIslands%20%20MDG%20Report.pdf). (accessed 14th December, 2008).

United Nations Development Programme 2004, Fiji Islands Millennium
Development Goals National Report 2004. Website
[http://www.undp.org.fj/_resources/main/files/Fiji
Islands%20%20MDG%20Report.pdf](http://www.undp.org.fj/_resources/main/files/FijiIslands%20%20MDG%20Report.pdf). (accessed 12th December, 2008).

United Nations Development Programme 2005, Cook Islands Millennium
Development Goals National Report 2005. Website
http://www.undp.org.fj/_resources/main/files/CookIslands%20%20MDG%20Report.pdf.
(accessed 9th December, 2008).

United Nations Development Programme 2005, Marshall Islands Millennium
Development Goals National Report 2005. Website
[http://www.undp.org.fj/_resources/main/files/MarshallIslands
Islands%20%20MDG%20Report.pdf](http://www.undp.org.fj/_resources/main/files/MarshallIslandsIslands%20%20MDG%20Report.pdf). (accessed 10th December, 2008).

United Nations Development Programme 2005, Vanuatu Millennium Development
Goals National Report 2005. Website
[http://www.undp.org.fj/_resources/main/files/Vanuatu
Islands%20%20MDG%20Report.pdf](http://www.undp.org.fj/_resources/main/files/VanuatuIslands%20%20MDG%20Report.pdf). (accessed 10th December, 2008).

United Nations Development Programme 2006, Tuvalu Millennium Development
Goals National Report 2006, Website
[http://www.undp.org.fj/_resources/main/files/Tuvalu
Islands%20%20MDG%20Report.pdf](http://www.undp.org.fj/_resources/main/files/TuvaluIslands%20%20MDG%20Report.pdf). (accessed 10th December, 2008).

United Nations Development Programme 2007, Kiribati Millennium Development
Goals National Report 2007. Website
[http://www.undp.org.fj/_resources/main/files/Kiribati
Islands%20%20MDG%20Report.pdf](http://www.undp.org.fj/_resources/main/files/KiribatiIslands%20%20MDG%20Report.pdf). (accessed 10th December, 2008).

United Nations Development Programme 2007, Niue Millennium Development
Goals National Report 2007. Website [http://www.undp.org.fj/_resources/main/files/Niue
Islands%20%20MDG%20Report.pdf](http://www.undp.org.fj/_resources/main/files/NiueIslands%20%20MDG%20Report.pdf). (accessed 9th December, 2008).

World Bank (2008) at [www.worldbank.org/external/default/main?
currentMDK+0666027&menupk=61251&theSitePK=612501&pagePK=2904583&piPK
=2904598](http://www.worldbank.org/external/default/main?currentMDK+0666027&menupk=61251&theSitePK=612501&pagePK=2904583&piPK=2904598).

Recent Working Papers

2009/WP:

- 6 T.K. Jayaraman *Monetary Policy Response of Pacific Island Countries to Global Economic Downturn*
- 5 Peter J. Stauvermann and Sunil Kumar *Can the Fijian Economy Gain from Ethanol Production?*
- 4 T.K. Jayaraman and Chee-Keong Choong *Monetary Policy Transmission Mechanism in Vanuatu*
- 3 T.K. Jayaraman and Chee-Keong Choong *How does Monetary Policy Work in Solomon Islands?*
- 2 T.K. Jayaraman and Chee-Keong Choong, *Monetary Policy Transmission Mechanism in Vanuatu*
- 1 T.K. Jayaraman and Chee-Keong Choong, *Is Money Endogenous In The Pacific Island Countries?*

2008/WP:

- 20 T.K. Jayaraman and Evan Lau, *Rise in Oil price and Economic growth in Pacific Island: An Empirical Study.*
- 19 T.K. Jayaraman and Chee-Keong Choong, *External current account and domestic imbalances in Vanuatu: A Study on Causality Relationships.*
- 18 T.K. Jayaraman and Chee-Keong Choong, *Channels of Monetary policy Transmission mechanism in pacific island countries: A Case Study of Fiji: 1970-2006.*
- 17 T.K. Jayaraman and Chee-Keong Choong, *Impact of high oil price on Economic Growth in small Pacific island countries.*
- 16 T.K. Jayaraman and Evan Lau, *Causal Relationships between current account Imbalances and budget deficits in Pacific island countries: A panel Cointegration Study.*
- 15 T.K. Jayaraman, *Do Macroeconomic Fundamentals Influence External Current Account Balances?*
- 14 T.K. Jayaraman and Chee-Keong Choong, *Is Fiji's Real Exchange Rate Misaligned.*
- 13 T.K. Jayaraman, Chee-Keong and Siong-Hook Law, *Is Twin Deficit Hypothesis in Pacific Island Countries valid? An Empirical Investigation.*

- 12 Tauisi Taupo, *Estimating the production function for Fiji.*
- 11 Tauisi Taupo, *Estimating demand for money in Philippines.*
- 10 Filipo Tokalau, *The Road that is; for whom and why: Impacts of tourism Infrastructural development on Korotogo Village, Fiji islands.*
- 9 Mahendra Reddy, *Sequential Probit modeling of the determinants of child Labour: Is it a case of luxury, distributional or Substitution Axiom?*
- 8 Neelesh Gounder, Mahendra Reddy and Biman C. Prasad, *Support for Democracy in the Fiji Islands: Does Schooling Matter?*
- 7 Sunil Kumar, *Fiji's declining formal sector economy: Is the informal sector an answer to the declining economy and social security?*
- 6 T K Jayaraman and Evan Lau, *Does External Debt Lead to Economic Growth in the Pacific Island Countries: An Empirical Study*
- 5 Gyaneshwar Rao, *The Relationship between Crude and Refined Product Market: The Case of Singapore Gasoline Market using MOPS Data*
- 4 Bill B Rao and Saten Kumar, *A Panel Data Approach to the Demand for Money and the Effects of Financial Reforms in the Asian Countries.*
- 3 Bill B Rao and Rup Singh, *Contribution of Trade Openness to Growth in East Asia: A Panel Data Approach.*
- 2 Bill B Rao, Rup Singh and Saten Kumar, *Do We Need Time Series Econometrics?*
- 1 Rup Singh and Biman C Prasad, *Small States Big Problems Small Solutions from Big Countries.*

2007/WP:

- 24 Biman C Prasad, *Changing Trade Regimes and Fiji's Sugar Industry: Has the Time Run-out for Reform or is there a Plan and Political Will to Sustain it?*
- 23 B Bhaskara Rao and Rup Singh, *Effects of Trade Openness on the Steady State Growth Rates of Selected Asian Countries with an Extended Exogenous Growth Model.*
- 22 T K Jayaraman and Jauhari Dahalan, *How Does Monetary Policy Transmission Mechanism Work in Samoa?*
- 21 T K Jayaraman and Chee-Keong Choong, *More on "Shocking Aspects" of A Single Currency For Pacific Island Countries: A Revisit*

- 20 Biman C Prasad, *Economic Integration and Labour Mobility: Are Australia and New Zealand Short-Changing Pacific Forum Island Countries?*
- 19 T K Jayaraman and C K Choong, *Monetary Policy Transmission Mechanism In The Pacific Islands: Evidence From Fiji.*
- 18 K L Sharma, *High-Value Agricultural Products of The Fiji Islands: Performance, Constraints And Opportunities*
- 17 Saten Kumar, *Income and Price Elasticities of Exports in Philippines.*
- 16 Saten Kumar *Determinants of Real Private Consumption in Bangladesh*
- 15 K.L Sharma, *Public Sector Downsizing in the Cook Islands: Some Experience and Lessons*
- 14 Rup Singh and B C Prasad, *Do Small States Require Special Attention or Trade Openness Pays-off.*
- 13 Rup Singh, *Growth Trends and Development Issues in the Republic of Marshall Islands.*
- 12 B. Bhaskara Rao and G Rao, *Structural Breaks and Energy Efficiency in Fiji.*
- 11 Rup Singh, *Testing for Multiple Endogenous Breaks in the Long Run Money Demand Relation in India*
- 10 B.B Rao, Rukimini Gounder and Josef Leoning, *The Level And Growth Effects in the Empirics of Economic Growth: Some Results With Data From Guatemala*
- 9 B. Bhaskara Rao and K.L Sharma, *Testing the Permanent Income Hypothesis in the Developing and Developed Countries: A Comparison Between Fiji and Australia.*
- 8 T. K Jayaraman and Chee K Choong, *Do Fiscal Deficits Cause Current Account Deficits In The Pacific Island Countries? A Case Study of Fiji*
- 7 Neelesh Gounder and Mahendra Reddy, *Determining the Quality of Life of Temporary Migrants using Ordered Probit Model.*
- 6 T K Jayaraman, *Fiscal Performance and Adjustment in the Pacific Island Countries: A Review.*
- 5 Yenteshwar Ram and Biman C Prasad *Assessing, Fiji' Global Trade Potential Using the Gravity Model Approach.*
- 4 Sanjesh Kumar and Biman C Prasad, *Contributions of Exports of Services Towards Fiji's Output*
- 3 Paresch Kumar Narayan, Seema Narayan, Biman Chand Prasad and Arti Prasad, *Tourism and Economic Growth: a Panel Data Analysis for Pacific Island Countries*

- 2 T.K. Jayaraman and Chee-Keong Choong, *Will External Borrowing Help Fiji's Growth.*
- 1 Arti Prasad Paresh Kumar Narayan and Biman Chand Prasad, *A Proposal for Personal Income Tax Reform For The Fiji Islands*

2006/WP:

- 34 Paresh K Narayan and Arti Prasad, *Modelling Fiji-US Exchange Rate Volatility.*
- 33 T.K. Jayaraman and Chee-Keong Choong, *Why is the Fiji Dollar Under Pressure?*
- 32 T.K. Jayaraman and Baljeet Singh, *Impact of Foreign Direct Investment on Employment in Pacific Island Countries: An Empirical Study of Fiji*
- 31 B. Bhaskara Rao and Toani B Takirua, *The Effects of Exports, Aid and Remittances on Output: The Case of Kiribati*
- 30 B. Bhaskara Rao and Saten Kumar, *Cointegration, Structural Breaks and the Demand for Money in Bangladesh*
- 29 Mahendra Reddy, *Productivity and Efficiency Analysis of Fiji's Sugar Industry.*
- 28 Mahendra Reddy, *Preferential Price and Trade Tied Aid: Implications on Price Stability, Certainty and Output Supply of Fiji's Sugarcane.*
- 27 Maheshwar Rao, *Challenges and Issues in Pro-Poor Tourism in South Pacific Island Countries: The Case of Fiji Islands*
- 26 TK Jayaraman and Chee-Keong Choong, *Structural Breaks and the Demand for Money in Fiji*
- 25 B. Bhaskara Rao and Saten Kumar, *Structural Breaks and the Demand for Money in Fiji*
- 24 Mahendra Reddy, *Determinants of Public Support for Water Supply Reforms in a Small Developing Economy.*
- 23 Mahendra Reddy, *Internal Migration in Fiji: Causes, Issues and Challenges.*
- 22 Mahendra Reddy and Bhuaneshwari Reddy, *Analyzing Wage Differential by Gender Using an Earnings Function Approach: Further Evidence from a Small Developing Economy.*
- 21 Biman C. Prasad Trade: *"WTO DOHA Round: An Opportunity or a Mirage for Fiji.*
- 20 Benedict Y. Imbun, *Review of Labour Laws in Papua New Guinea*
- 19 Benedict Y. Imbun, *Review of Labour Laws in Solomon Islands*

- 18 Rup Singh Cointegration, *Tests on Trade Equation: Is Devaluation an Option for Fiji?*
- 17 Ganesh Chand, *Employment Relations Bill: An Analysis.*
- 16 TK Jayaraman and Chee-Keong Choong, *Public Debt and Economic Growth in the South Pacific Islands: A Case Study of Fiji*
- 15 TK Jayaraman and Chee-Keong Choong, *Aid and Economic Growth in Pacific Islands: An Empirical Study of Aid Effectiveness in Fiji.*
- 14 Rup Singh, *A Macroeconometric Model for Fiji.*
- 13 Rup Singh and Saten Kumar, *Private Investment in Selected Asian Countries.*
- 12 Ganesh Chand, *The Labour Market and Labour Market Laws in Fiji*
- 11 Carmen V-Graf, *Analysis of Skilled Employment Demand and Opportunities in the Pacific Labour Market*
- 10 Philip Szmedra, Kanhaiya L Sharma and Cathy L Rozmus, *Health Status, Health Perceptions and Health Risks Among Outpatients with Non-communicable Diseases in Three Developing Pacific Island Nations*
- 9 Heather Booth, Guangyu Zhang, Maheshwar Rao, Fakavae Taomia and Ron Duncan, *Population Pressures in Papua New Guinea, the Pacific Island Economies, and Timor Leste*
- 8 Mahendra Reddy, *Technical efficiency in Artisanal Fisheries: Evidence from a Developing Country.*
- 7 Paresh K Narayan and Biman C Prasad, *Macroeconomic Impact of the Informal Sector in Fiji*
- 6 Biman C Prasad, *Resolving The Agricultural Land Lease Problem in The Fiji Islands; Current Discussions and The Way Forward.*
- 5 Rup Singh & Saten Kumar, *Demand For Money in Developing Countries: Alternative Estimates and Policy Implications.*
- 4 B. Bhaskara Rao, Rup Singh & Fozia Nisha, *An Extension to the Neoclassical Growth Model to Estimate Growth and Level effects.*
- 3 Rup Singh & Saten Kumar, *Cointegration and Demand for Money in the Selected Pacific Island Countries.*
- 2 B. Bhaskara Rao & Rup Singh, *Estimating Export Equations.*
- 1 Rup Singh, *An Investment Equation for Fiji*

2005/WP:

- 27 Neelesh Gounder & Biman C. Prasad, *What Does Affirmative Action Affirm: An Analysis of the Affirmative Action Programmes for Development in the Fiji Islands*
- 26 B. Bhaskara Rao, Fozia Nisha & Biman C. Prasad *The Effects of Life Expectancy on Growth*
- 25 B. Bhaskara Rao, Rup Singh, & Neelesh Gounder, *Investment Ratio in Growth Equations*
- 24 T.K. Jayaraman, *Regional Economic Integration in the Pacific: An Empirical Study*
- 23 B. Bhaskara Rao & Maheshwar Rao, *Determinants of Growth Rate: Some Methodological Issues with Time Series Data from Fiji*
- 22 Sukhdev Shah, *Exchange Rate Targeting of Monetary Policy*
- 21 Paresh Narayan and Baljeet Singh, *Modeling the Relationship between Defense Spending and Economic Growth for the Fiji Islands*
- 20 TK Jayaraman, *Macroeconomics Aspects of Resilience Building in Small States*
- 19 TK Jayaraman, *Some "Shocking Aspects" of a Regional Currency for the Pacific Islands.*
- 18 Bimal B. Singh and Biman C. Prasad, *Employment-Economic Growth Nexus and Poverty Reduction: An Empirical Study Based on the East Asia and the Pacific Region*
- 17 Biman C. Prasad and Azmat Gani, *Savings and Investment Links in Selected Pacific Island Countries*
- 16 T.K. Jayaraman, *Regional Integration in the Pacific.*
- 15 B. Bhaskara Rao, *Estimating Short and Long Run Relationships: A Guide to the Applied Economist.*
- 14 Philip Szmedra, KL Sharma, and Cathy L. Rozmus, *Managing Lifestyle Illnesses in Pacific Island States: The Case of Fiji, Nauru and Kiribati.*
- 13 Philip Szmedra and KL Sharma, *Lifestyle Diseases and Economic Development: The Case of Nauru and Kiribati*
- 12 Neelesh Gounder, *Rural Urban Migration in Fiji: Causes and Consequences.*
- 11 B. Bhaskara & Gyaneshwar Rao, *Further Evidence on Asymmetric US Gasoline Price Responses*
- 10 B. Bhaskara Rao & Rup Singh, *Demand for Money for Fiji with PC GETS*

- 9 B. Bhaskara Rao & Gyaneshwar Rao, *Crude Oil and Gasoline Prices in Fiji: Is the Relationship Asymmetric?*
- 8 Azmat Gani & Biman C. Prasad, *Fiji's Export and Comparative Advantage.*
- 7 Biman C. Prasad & Paresh K Narayan, *Contribution of the Rice Industry to Fiji's Economy: Implication of a Plan to Increase Rice Production*
- 6 Azmat Gani, *Foreign Direct Investment and Privatization.*
- 5 G. Rao, *Fuel Pricing In Fiji.*
- 4 K. Bunyaratavej & Tk Jayaraman, *A Common Currency For The Pacific Region: A Feasibility Study.*
- 3 Sukhdev Shah, *Kiribati's Development: Review And Outlook.*
- 2 T.K. Jayaraman, B.D. Ward, Z.L. Xu, *Are the Pacific Islands Ready for a Currency Union? An Empirical Study of Degree of Economic Convergence*
- 1 T.K. Jayaraman, *Dollarisation of The South Pacific Island Countries: Results Of A Preliminary Study*

2004/WP:

- 15 Vincent D. Nomae, Andrew Manepora'a, Sunil Kumar & Biman C. Prasad, *Poverty Amongst Minority Melanesians In Fiji: A Case Study Of Six Settlement*
- 14 Elena Tapuaiga & Umesh Chand, *Trade Liberalization: Prospects and Problems for Small Developing South Pacific Island Economies*
- 13 Paresh K. Narayan, Seema Narayan & Biman C. Prasad, *Forecasting Fiji's Exports and Imports, 2003-2020*
- 12 Paresh K. Narayan & Biman C. Prasad, *Economic Importance of the Sugar Industry in Fiji: Simulating the Impact of a 30 Percent Decline in Sugar Production.*
- 11 B. Bhaskara Rao & Rup Singh, *A Cointegration and Error Correction Approach to Demand for Money in Fiji: 1971-2002.*
- 10 Kanhaiya L. Sharma, *Growth, Inequality and Poverty in Fiji Islands: Institutional Constraints and Issues.*
- 9 B. Bhaskara Rao, *Testing Hall's Permanent Income Hypothesis for a Developing Country: The Case of Fiji.*
- 8 Azmat Gani, *Financial Factors and Investment: The Case of Emerging Market Economies.*
- 7 B. Bhaskara Rao, *The Relationship Between Growth and Investment.*

- 6 Wadan Narsey, PICTA, PACER and EPAs: *Where are we going? Tales of FAGS, BOOZE and RUGBY*
- 5 Paresk K. Narayan & Biman C. Prasad, *Forecasting Fiji's Gross Domestic Product, 2002-2010.*
- 4 Michael Luzius, *Fiji's Furniture and Joinery Industry: A Case Study.*
- 3 B. Bhaskara Rao & Rup Singh, *A Consumption Function for Fiji.*
- 2 Ashok Parikh & B. Bhaskara Rao, *Do Fiscal Deficits Influence Current Accounts? A Case Study of India.*
- 1 Paresk K. Narayan & Biman C. Prasad, *The Casual Nexus Between GDP, Democracy and Labour Force in Fiji: A Bootstrap Approach.*

2003/WP:

- 11 B. Bhaskara Rao & Rup Singh, *Demand For Money in India: 1953-2002.*
- 10 Biman C. Prasad & Paresk K. Narayan, *Fiji Sugar Corporation's Profitability and Sugar Cane Production: An Econometric Investigation, 1972-2000.*
- 9 B. Bhaskara Rao, *The Nature of The ADAS Model Based on the ISLM Model.*
- 8 Azmat Gani, *High Technology Exports and Growth – Evidence from Technological Leader and Potential Leader Category of Countries.*
- 7 TK Jayaraman & BD Ward, *Efficiency of Investment in Fiji: Results of an Empirical Study.*
- 6 Ravinder Batta, *Measuring Economic Impacts of Nature Tourism.*
- 5 Ravinder Batta, *Ecotourism and Sustainability.*
- 4 TK Jayaraman & Rajesh Sharma, *Determinants of Interest Rate Spread in the Pacific Island Countries: Some Evidence From Fiji.*
- 3 T.K. Jayaraman & B.D. Ward, *Is Money Multiplier Relevant in a Small, Open Economy? Empirical Evidence from Fiji.*
- 2 Jon Fraenkel, *The Coming Anarchy in Oceania? A Critique of the 'Africanisation' of the South Pacific Thesis.*
- 1 T.K. Jayaraman, *A Single Currency for the South Pacific Island Islands: A Dream or A Distant Possibility?*