12 Reporting on the economy: Is there a Pacific perspective?

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Introduction

The news media's coverage of the economy and economic issues has often been controversial. In the literature analysing economic reporting, there are many divergent views that can be divided into four general perspectives[1]. First, it is said that the media always looks for bad news in the economy and continues to report mainly the bad news. Secondly, it is claimed that the media rarely runs stories about the economic problems affecting workers and the poor, and how economic reforms could help improve their conditions. Thirdly, there are views that journalists and the news media take more interest in the events and news of large and dominant businesses, and play-down issues affecting the under-privileged. Fourth, there is a view that journalists use mainly official sources of information to report on various economic stories. While these four features apply to news media and journalists in developed economies, journalists in developing countries are also faced with the challenge of reporting economic news in a fair and balanced manner.[2] One factor that may affect reporting is the ownership of the media. Increasingly, global ownership of media organisations by large and powerful business interests invariably causes journalists employed by these organisations to tread carefully when reporting economic news that may not be in the interest of their employer.

How different is reporting on the economy in the Pacific Islands? Probably not much, as media organisations in the Pacific are owned

[1] See, for example Kollmeyer (2004).
[2] See, for example, Noam Chomsky (2003) (on the news media in the US).

largely by powerful business interests and reporting is affected by this reality, as well as factors like tight deadlines. The scant coverage that the region receives in the international media has been mixed. It has either been about political crises, instability and natural disasters or about sandy beaches, calm, turquoise seas and undisturbed cultures and traditions. The regional and national media tends to concentrate mainly on politics, the economy and sports. They highlight problems and question leaders over governance and corruption issues.

However, there is always a tendency to ignore some of the real economic issues affecting many of the Pacific Island countries. These include the new economic policy agenda, which promotes an export-led economic growth strategy, and which requires fundamental changes to economic, social, political and cultural institutions.

The first part of this article describes economic issues and challenges facing Pacific Island economies, keeping in mind that a better understanding of the economic principles governing the current policy-making agenda of governments can assist journalists report more effectively. The second section provides an overview of the Pacific Island economies. Section three includes some discussion on the key characteristics of Pacific Islands, as this is important for journalists to keep in mind when reporting on economic issues. Section four provides an overview of economic policy changes in the Pacific in the last two decades and what this means for economic performance. Section five looks at some key economic sectors and issues such as trade, banking, insurance, development and poverty. The final section provides some concluding comments.

Overview of Pacific Islands' economic issues

Pacific Island countries (PICs) face generally similar problems even though there is considerable diversity in terms of culture, history, resource endowment, environmental vulnerability, levels of economic growth and other social and economic indicators. The problems include vulnerability to natural disasters, economic challenges faced by increasing global economic integration, bad governance and corruption and lack of institutional efficiency in relation to most sectors of the economy. Many countries are facing economic decline while grappling with the changing international trading environment. The global economic integration and the increasing move towards freer trade under the rules agreed to by the World Trade Organisation (WTO) have placed new pressures on the economies of these countries. Apart from erosion of preferential treatment of their exports, the PICs have to grapple with declining export revenue, widening current account deficits and worsening levels of poverty.

The Pacific Islands Forum Secretariat has adopted the Pacific Plan to strengthen regional cooperation and integration. The Pacific Plan Task Force, managed by the Pacific Islands Forum secretary-general, developed the Pacific Plan through broad-based national and regional consultations. It was endorsed by leaders at the Pacific Islands Forum meeting in October 2005. The plan identifies further regional economic integration as the way to achieving economic success. Among other things, it calls for the sharing of resources and the development of regionally based policies to address the serious challenges facing the countries. While the broader regional agenda set by Pacific leaders is a noble step forward in recognising the region's social and economic problems, it will be many more years before sustainable progress is made.

Key characteristics of PICs

The media, and especially foreign media, has a tendency to report on Pacific Islands' economic issues without due consideration given to the special characteristics of many of the countries in the region. While PICs differ in some cultural and economic aspects, they also share several features which affect their development in similar ways. The World Bank (2005) calls this 'exogenous factors' or 'givens'. These factors include remoteness and isolation. Also, many islands that constitute one country are widely dispersed. Kiribati, for example, has a population of about 100,000 scattered across 33 islands that cover 4,000 km from east to west, and 2,000 km from north to south. The 200,000 inhabitants of Vanuatu are spread over 80 islands in an 800-km chain. The majority of the PICs have large exclusive economic zones. Because of their remoteness and isolation, many of the PICs are far removed from the major centres of their trading partners such as the EU, Japan and the US. Even, Australia and New Zealand, for many of them, present special challenges when it comes to trade and communication.

The PICs can be divided easily into three groups. First the large

Melanesian countries, which include Fiji, Papua New Guinea, the Solomon Islands and Vanuatu, are endowed with greater natural resources and have relatively large and growing populations. In addition, countries like Fiji and the Solomon Islands have faced the much bigger problem of political instability and ethnic tensions. Fiji, for example, has had four coups in twenty years, the recent one on December 5, 2006. It has experienced ethnic tension for some years and its economic performance has been severely affected since the first coup in 1987. The average growth rate for Fiji over the last twenty years has been around a mere two per cent. The Solomon Islands has suffered terrible civil strife and is currently undergoing a political transition with the help of the Australian Government. Its economy has been severely affected and it is likely to take some time before the country is back on its feet. Papua New Guinea continues to be relatively stable politically, although it is not without problems. Its high crime rate has affected its economic potential in a significant manner.

The second group includes the two large Polynesian countries of Tonga and Samoa. Compared with their Melanesian neighbours, these two countries are less well endowed with natural resources but have been relatively more stable politically. Tonga, however, experienced political instability in late 2006. The rioting in the capital, Nuku'alofa, was a result of a long suppressed demand for political liberalisation. Tonga has been a constitutional monarchy and participation in the political process and governing of the country is largely in the hands of the King. After the death of King Taufa'ahau Tupou IV in September 2006, it was anticipated that Tonga would move more quickly towards political reform and a more liberal form of democracy. Samoa on the other hand is a well functioning democracy and, socially, a very cohesive society. Its economic performance has also generally been very good. However, social issues and policies have tended to be less than well articulated.

The third group includes the very small Micronesian countries. These small countries tend to be resource-poor, thereby posing some different development opportunities and challenges.

The political systems of the PICs consist of a complex tapestry of diverse traditional systems onto which are grafted, more or less successfully, a legacy of colonial experiences at the hands of a range of countries including Australia, Britain, France, Germany, Japan, New Zealand, Spain, and the United States. While the colonial experience left constitutional and democratic forms of government, many of the PICs are still struggling to define themselves in a truly democratic manner. The link between democracy, constitutionality, property rights and economic performance is an important consideration for many of the PICs. Recent economic literature attributes many of the economic difficulties to inefficient and corrupt governments in some of these countries. The lack of democratic values and respect for the rule of law has been major factors in the poor economic performance of Fiji and the Solomon Islands.

The issue of property rights in land has caused many disputes in the bigger Melanesian countries. The solutions to these disputes are not yet in sight. The communal ownership of natural resources is important for identification of family, clan and lineage, and this plays a significant role in the governance structures in many of the PICs. But resource ownership conflicts are also common and the communal nature of the property rights causes problems for both economic development and the environment. Close kinship ties and small communities sometimes make it difficult to bring about efficiency in the civil service and reduce corruption. PICs are also very susceptible to natural disasters. Many of them experience regular extreme weather events. The negative economic and social impacts of these events are worsening and could cause serious hardship in the future. Climate change is another looming problem. It is increasingly becoming a nightmare for the smaller countries such as Kiribati, Tuvalu and the Marshall Islands, where inundation due to storm surges could increase significantly, leading to loss of assets and salinisation of groundwater sources. Climate change is also likely to cause more cyclones and droughts, reduce agricultural output and affect food security in the future.[3]

Other characteristics include heavy aid dependence, large public sectors, high debt levels, poor infrastructure and poor delivery of public services. Journalists in the region should be aware of the fact that all these characteristics present special challenges for development in the PICs and frame their stories in these contexts.

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[3] For details on the economic impact of natural disasters in the Pacific Islands, see, for example, McKenzie, Prasad and Kaloumaira (2005).

Economic policy changes since the 1980s

Like many developing economies around the world, PICs are also undergoing fundamental economic policy changes. The drive towards export-oriented growth strategies was a result of the deepening economic crises such as widening current account deficits, balance of payment problems and inability to service debts. Led by developed countries such as the US and Britain, and supported worldwide by the International Monetary Fund and the World Bank, the structural adjustment policies were designed to move these 'failing economies' towards more outward looking policies. The main thrust of the new policies was to reduce government expenditure, promote private sector investment and privatisation, remove high tariff rates and provide support to industries that produce for export. The experience of some Asian countries such as Singapore, Hong Kong, South Korea and Taiwan was touted as evidence of the success of open economies that emphasised on exports to achieve high levels of economic growth. The benefits of international trade were actively promoted throughout the 1980s and 1990s, and continue to be advanced with as much zeal in the 2000s. The role of the World Trade Organisation (WTO) in this has been particularly important. The current developments in the multilateral trade negotiations have presented serious problems as the negotiations on the Doha Development Agenda stalled after the 6th Ministerial Meeting in Hong Kong in December 2005.

PICs have continued to grapple with the rapidly changing global economic environment and have attempted to change their own economic policies to benefit from the global developments in economic integration. Tonga, Fiji, the Solomon Islands and Papua New Guinea are already members of the WTO while Vanuatu and Samoa are in the process of acceding to WTO. The membership of the WTO requires certain commitments from the members; in particular it requires them to reduce trade barriers such as tariffs, quotas and other non-tariff barriers. Many commentators who argue against the uncontrolled opening of trade regimes point out that small developing countries will always lose out as they will not be able to compete in the international market with large countries. They therefore argue that Pacific Island countries need special provisions to allow them to be treated differently from the large and developed countries. Despite these views, most governments in PICs have continued to push for economic integration in the region, with the active support of developed country trade partners and international organisations. The Pacific Plan, for instance, supports economic integration and regional trade. The adoption of the Pacific Islands Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Relations (PACER) further indicates that trade openness is going to form the cornerstone of economic policies in the region.

So naturally, many PICs are trying to align their economic policies towards reaping the benefits of trade. Macroeconomic stabilisation policies include reducing large government deficits, controlling debt levels and maintaining adequate levels of foreign exchange reserves. On the trade side, attempts are being made to promote the export of goods and services in which these countries have comparative advantages. For the bigger Melanesian countries, agricultural and primary exports such as sugar, beef, gold and copper are the main exports, with Fiji and Papua New Guinea having some manufactured exports such as garments and food. Other small countries depend mainly on fish exports. The comparative advantage for many goods is restricted due to high costs of production. The export of services, of which tourism is the main one, presents real opportunities for many countries to improve their economic growth performances.

Most PICs (apart from the few very small one such as Nauru, Tuvalu, Kiribati and Niue) have the potential to increase tourism as a major sector of the economy. Fiji is already a leader in attracting tourists, with a well-developed tourism infrastructure. Papua New Guinea, Solomon Islands, Vanuatu, Samoa and Tonga, are also taking advantage of the growth of the tourism industry in the region.

What are the key issues for journalists and the media?

Reporting on the economic and development problems of the region has generally been subdued, as the focus tends to be on the political processes, corruption, and mismanagement and generally on the political 'bads'. However, well-researched economic analysis for public consumption can put pressure on politicians to address the issues in a more thorough and serious manner. The understanding of the economic philosophy that governs the economic policy agenda of many of our developed partners and the international organisations such as the IMF, World Bank, WTO and ADB will equip journalists to raise issues with political leaders and better inform their readers.

The global consensus, at least amongst the leading industrial and large developing countries, is that trade liberalisation and global trade is in the long-term interest of the world. It is generally contended that countries that have pursued trade liberalisation and adopted an export-oriented strategy for growth have been more successful. However, empirical evidence also suggests that trade liberalisation *per se* does not guarantee successful economic growth. For many of the Pacific Islands, there are two issues. First, we have to consider what else is needed with trade liberalisation to achieve good growth and second, how governments can achieve this within the means of their limited resources. Once these two issues are understood generally, then reporting on the economy could raise further awareness amongst policy makers and the general public through well-informed articles and debate generated by the media.

The Banking and Insurance Industries

The banking sector is an important part of any economy and should be regularly scrutinised by the media. Banking is usually not a controversial issue in very small island states such as Tuvalu, Niue, Kiribati and Nauru which use currencies in New Zealand or Australian dollars. The banking sector in these countries is dominated by Australian and New Zealand banks. However, in the case of the bigger economies, these sectors play a significant role. Most central banks in the Pacific are supposed to be independent from the day to day running of the government. This is necessary to ensure that the functions of the central banks are carried out in an effective manner.

It is important also that the media understand the role and function of central banks and write regular reports about them. The central banks are lenders of last resort. Their main functions include the development of appropriate monetary policies for the countries. They are charged with the responsibilities of ensuring that interest rates are monitored, that the activities of the commercial banks are properly monitored, and serving the interests of stakeholders in a proper manner.

What the media has clearly not followed over the years is the way in which the commercial banks have treated customers in terms of bank fees, charges and other costs of borrowing. Things like interest rates, interest rate spread and the ability of commercial banks to support development in the Pacific Islands are important issues to be covered. More often than not, journalists rely merely on official sources and press releases, and present the information as news reports, sometimes under their own bylines. There is little, if any, analysis that could help the general pubic understand the situation better. Journalists need not be experts in order to put out good reports, but a basic understanding of the banking system would be helpful. They can then write well-rounded, balanced reports by, among other things, getting a variety of reactions from independent experts on the press releases churned out by the central and commercial banks instead of merely publishing them without further research. This is basic journalism.

Trade and International Economics

Most of the PICs are now firmly moving on the agenda to promote trade. Many are also raising questions as to how the multilateral trade negotiations within the WTO are going to affect their development. While Pacific leaders have broadly endorsed the process towards further economic integration under the Pacific Plan through the adoption of regional trade agreements, many Pacific NGOs have raised questions about the gains from such agreements. Media coverage of this issue is often based on either the officials' positions or explanations from government, or the negative and sensational aspects put forward by some NGOs. It must be understood that gains from trade and the whole process of globalisation are not always straightforward or easy. There are always winners and losers in the short-to-medium term. Journalists covering trade and globalisation issues must familiarise themselves with the basic trade and globalisation literature. Journalists would be better served if they were to look at the opportunity costs of particular policies. This would allow them to better understand why certain trade policies are being pursued by certain countries in the region and not others. There is always a different regional or group perspective. Within the WTO, there are many groupings, such as for small and vulnerable economies, which also include Pacific Island country members. Many of these countries, in particular many small states, have serious cost disadvantages.[4] For many Pacific

[4] See, for example, Winters and Martin (2004), Singh and Prasad (2007).

Island countries, the prospects of manufactured exports or agricultural and fisheries exports are unrealistic because of small volumes and economies of scale. Tourism seems to be the only services sector where many PICs have cost advantages and is likely to be the driving force for economic growth. They will be well served if the media takes a serious view of this industry and looks at the positive side of its contribution.

Macroeconomic and Government policies

Government policies need careful scrutiny by all stakeholders, not the least the media. However, it has often been observed that the media rarely, if ever, takes on an investigative approach towards looking at particular government policies and how they are linked to the broader objective of development. There has been a tendency to ignore past policy statements made by governments and link them to its current stance. In the case of Fiji, for instance, there is much flip-flop on policy statements by politicians and ministers. It would be prudent for journalists to look at past information on government policies to see whether they are consistent and coherently linked to the present stance, and whether they are in tune with international trends.

On macroeconomic policies, journalists often rely too much on government policy statements, such as those put out by the reserve/central banks in the region. There has to be some independent analysis of what is happening in terms of policy changes and why some of the economic indicators are like that; for example, when reporting on inflation, journalists in Fiji usually do not explain why it may have gone up or down. The composition of the basket of goods used by the Bureau of Statistics has not changed for many years. When this composition of the basket is used, it does not reflect truly the extent of real inflation and how this may affect the poor. Journalists providing the analysis of Fiji's Interim Government's revised 2007 budget emphasised only the populist tax policies. There was undue emphasis on why the Interim Government reversed the increase in Value Added Tax (VAT) adopted by the previous government. The media failed to point out that the Interim Finance Minister had raised duties on imports of basic consumer goods such as lamb chops, the major source of protein for the poor.

Poverty and Income inequality

Many journalists see themselves as Robin Hoods in that they feel that they have to report on the negative consequences of poverty and development. In this context they rely too much on comments and analysis from non-governmental organisations that have an agenda of their own. The media sometimes seems to believe that these organisations are the only champions of the poor. This leads to biased reporting on issues surrounding poverty and income inequality. Reporting on the negative consequences of poverty is important but it is equally important to report on best practices and positive examples of how people climb out of poverty.

For many journalists, reporting negative news allows them to claim a certain kind of pro-poor ideological position. Journalists fear being accused of being in 'someone's pocket' and as a result many of them shy away from reporting positive news. There are many examples of journalists who consistently report negative comments and are forever critical of everything—instead of being creative and positive.

Conclusion

There is no conclusive evidence in the literature on how much influence the media reporting has on shaping key economic issues and policies. However, there is some consensus amongst media scholars and analysts that most reporting on the economy tends to focus on the negatives, so people continue to hear negative messages. In the Pacific, this also seems to be the case, with too much reliance on official sources and press releases, often at the expense of in-depth and analytical reports.

There is a need to evaluate the consequences of negative reporting of the economy by the media on the nation. Such a slant seems to have created a view that not much can be done to improve economic policies and economic governance in the region. Positive economic news should not be overlooked. Nor should reporters be overly reliant on official sources; they should seek out more independent views. The media, in other words, should pursue an agenda of reporting on the economy to effect positive changes in Pacific Island countries.