Dialogreihe Entwicklungspolitik

Lomé-Studien

The Pacific ACP States and the End of the Lomé Convention

Roman Grynberg

EUFORIC Page

This publication should be cited as: Grynberg, R. 1996. *The Pacific ACP states and the end of the Lomé Convention*. Bonn: Friedrich Ebert Stiftung. (Working Papers on EU Development Policy, No. 1). The series may be ordered free of charge from the Friedrich-Ebert-Stiftung, Godesberger Allee 149, D-53170 Bonn, Germany. Tel: +49 228 88 3527, Fax: +49 228 88 3404, E-mail: kesperc@feshq.mhs.compuserve.com.

TABLE OF CONTENTS

SUMMARY

The evolution of the EU-Pacific relationship has been accompanied by the growing importance of EU support to the economic development of Pacific ACP countries. Relations between the EU and the Pacific have been relatively uncontroversial. At the

same time, trade preferences and technical assistance have conditioned the economies of the region, making them increasingly dependent on the continuation of Lomé based economic ties with Europe. The EU, for example, is the second largest donor to the region.

The Pacific countries face a number of constraints to economic development. These include relatively small markets and poor economies of scale, inadequate mobilisation of the land resources, proneness to natural disaster and other external shocks, low skill levels and a difficult macroeconomic environment. Lomé has helped in overcoming these constraints, but at the price of increased dependency. On the one hand, trade provisions, though creating some distortions (and potentially dangerous industrial specialisation) have nevertheless brought a modest prosperity. On the other hand, the loss of Lomé trade preferences will cause major difficulties local economies from sugar to tuna fishing.

Therefore, the abandoning of the region by the EU together with major cuts on other aid sources creates the potential for disaster among the economies of the Pacific. Yet this seems increasingly inevitable, as Europe is neither interested in the resources of the region nor moved by pity for its poor. As such, the states of the region will have to become increasingly self-reliant, whether they like it or not.

ACKNOWLEDGEMENTS

This paper was prepared for the seminar on „The Future of Lomé" organised by the Friedrich-Ebert-Stiftung in Brussels on the 10-11 June 1996 and for the Conference on the „Future EU-ACP Relations beyond Lomé IV" organised by the European Center for Development Policy Management in Maastricht on 12-14 June 1996.

We would like to thank the European Centre for Development Policy Management (ECDPM) in Maastricht for its support during the preparation of these studies and for its continuous and constructive co-operation on a wide range of development issues.

Finally, we would like to express our sincere gratitude to all those who helped move these studies through the publication process. The successful completion of this project would not have been possible without their dedication and effort.

ABBREVIATIONS

ACP Africa, the Caribbean and the Pacific

ALTA Agricultural Landlords and Tenants Act

ACS Association of Caribbean States

CAP Common Agricultural Policy

ESCAP United Nations Economic and Social Commission for Asia and the Pacific

EU European Union

GATT General Agreement on Tariffs and Trade

GDP Gross Domestic Product

MFN Most Favoured Nation

NFD National Fisheries Development Company

NGO Non-Governmental Organisation

NIP National Indicative Programmes

PAFCO Pacific Fishing Company

PNG Papua New Guinea

Sparteca South Pacific Trade and Economic Cooperation Agreement

1. INTRODUCTION

This paper briefly reviews the nature of ACP-EU economic and political relations since independence in regard to the Pacific area. It then considers the implications of the Lomé Convention's end for the region. The first section considers the evolution of the relationship between the EU states and the ACP. The second part considers some of the many economic constraints that have inhibited the development of the region and looks at the ways in which the EU, through the Lomé Convention, has assisted the development of the region.

It will be argued that while the EU has been the region's second largest donor, and probably the largest and most important for the small island states, the aid has at the same time warped the development path of the islands. Due in large measure to the relatively abundant supply of aid and the trade preference provided by the EU, Australia, New Zealand and Japan, the small island states have developed an aid dependency that is remarkable. However, as we shall see, almost 45% of aid to the Pacific ACP states is in the form of technical assistance.

Because the Lomé Convention encompasses both trade and economic relations between ACP states and the EU, it has impacted the economies of the region in a far more significant way than policy makers appear to be aware. The Lomé Convention has created, through trade preference and the exportation of the Common Agricultural Policy (CAP) to the region, what is in effect the continuation of colonial economic structures long after they would have otherwise died a natural death. In one way, the trade preference has been the most efficient mechanism for the disbursement of aid to the poorest elements of society without the direct intervention of state bureaucracies. However, as we shall see, a substantial portion of that aid has been appropriated by third parties.

One underlying element in this discussion should be made explicit. The EU obviously plans to curtail substantially its economic assistance to the Pacific and those other regions that are not of direct geopolitical and economic interest. This is understandable: nations and regions do not give aid only out of generosity. There is self-interest, and the self-interest of EU policy in the far southern seas of the Pacific is by no means obvious in Brussels. Yet what the EU has done through the Lomé Convention has substantially affected the development of a large group of small nations. As such, one cannot escape the impression that the year 2000 would provide a very convenient break with Europe's colonial past. Removal of the last vestige of European post-colonialism, the Lomé Convention, would be a neat and clean ending for a century that began with Europe at the height of its colonial power. However, from the vantage of the Pacific, it is neither neat nor clean. The EU has through its almost unconscious generosity created serious economic distortion for which it has at least a moral obligation to assist in cleaning up. The Pacific tuna industries, the Fiji sugar industry and Melanesian tropical tree crop sectors remain perilously dependent upon EU trade preferences. Their abandonment by the EU would cause an economic disaster in a region already reeling under aid cuts from other donors as well as the loss of trade preference.

2. HISTORY OF POLITICAL RELATIONS BETWEEN THE PACIFIC AND EUROPE

J. W. Davidson concluded in 1971 that the decolonisation of the Pacific Islands was radically different from the same process in Africa in that it had been 'unusually peaceful and orderly'. Twenty-five years later his verdict largely still holds, especially for the 'British Pacific' and for the 'American lake'. With the notable exception of the French colonies, where decolonisation still has not been accomplished, the full or partial transfer of sovereignty to indigenous peoples has proceeded with little violence and in many cases with considerable reluctance. This was seen by some Island leaders as a premature move, reflecting the needs of the metropolitan powers more than those of the colonies.

The extensive decolonisation of the Pacific, commencing with independence for Western Samoa in 1962, represented the dismantling of colonial empires that had been painfully acquired during the nineteenth century in three clearly defined phases of annexations: 1840 - early 1880s, when colonial incursions were limited to British rule in New Zealand and Fiji, and French takeover in New Caledonia and Tahiti; 1884 - about 1900, when British and German division of eastern New Guinea sparked off a scramble that saw Britain, France, Germany, the United States, Spain and even Chile incorporate most island groups into their various colonial empires as either annexations or protectorates; and around the turn of the century, when Germany and the United States, in a final 'shape-down', divided Samoa and the US formalised its de facto rule in Hawaii. The only island group to avoid outright domination was the Kingdom of Tonga where British attempts to extend the limits of authority and turn Tonga into a de facto colony were outmanoeuvred by King George Tupou II. Tonga was effectively the only Pacific group to retain its independence.

European administration was comparatively benign, being geared towards the maintenance of peace in the interest of reaping what economic benefits it could from such a sparsely populated and under-resourced area. Copra, labour and phosphate were the major returns, though initiatives were undertaken with other crops, including sugar and cotton. Marketing opportunities were limited and missionary activity continued to be prominent. Beyond this, attempts to 'develop' the local populations were negligible and the possibility of eventual self-government rarely was entertained.

Extensive re-arrangements followed the outbreak of the First World War. Germany's Pacific colonies were taken over by the Allies at the outbreak of fighting in 1914 and subsequently, under the Treaty of Versailles in 1920, converted into League of Nations mandates. The role of Europe per se lessened considerably. New Zealand became the administering authority in Western Samoa, Australia in New Guinea and Nauru, and Japan in the Caroline and Marshall Islands. The acceptance of a mandate also imposed restrictions and obligations that radically altered the nature of the 'colonial' relationship. The administering authority now had a 'sacred duty' to uphold the 'sacred rights' of the subject peoples. Mandated territories were being held 'in trust' until they were able to be self-governing. The notion of eventual independence, though, was not taken seriously. As late as 1962, the chairman of a visiting United Nations mission who asked an Australian official how long it would be before Papua New Guinea achieved self-government was told: 'We shall still be there in the year 2000'.

But already the 'winds of change' were blowing across the Pacific. A local impetus for self-government in British colonies had been created by the ignominious retreat of colonial administrations in the face of the Japanese onslaught. The American liberators made an indelible impression with their wealth, largesse and seeming egalitarianism in sharp contrast to the aloof and parsimonious British. However, the real stimulus came with a growing anti-colonialism evident in liberal circles and in the United Nations, whose membership was increasingly made up of ex-colonial territories. New Zealand, responsive at an early stage, ushered in Western Samoan independence in 1962. Britain and Australia initially saw no urgency, but after 1960 yielded to mounting pressures. Britain made haste to divest herself of her remaining colonial entanglements, which effectively meant the Caribbean and the Pacific.

An inevitable outcome of this haste to step aside was a tendency to force the pace, even at a rate that local leaders thought was undesirable. Ratu Mara said in 1961:

> *We are not as stupid as that [to ask for independence]. What would we get out of it? We can't even pay for our own food. We would have to pay for everything. There would be no advantage in independence.*

Regardless of such reservations, decolonisation and the eventual transfer of sovereignty were pushed through in the British Pacific within a compressed time-frame that has been aptly characterised as a 'shortened period of political tutelage preceding self-government and independence.' For Islanders, apprenticeship in the business of governing was generally truncated as some of the usual stages of constitutional development were omitted. Constitutional planning committees, the encouragement of political parties and the short phase of self-government immediately preceding independence were by no means enough to offset the fact that preparations for independence were unduly hasty. In several cases this meant the creation of economically non-viable entities that would have to be propped up indefinitely with aid money. This was in stark contrast to the previous British axiom that its colonies should be financially self-supporting.

Yet whatever the rush, the independent Constitutions and other final arrangements owed much to local conditions. For instance, despite a disinclination on the part of Britain, the Ellice Islands separated from the GEIC to form a new dependency called Tuvalu; attempts were made to include customary and traditional practices in the new Constitutions (e.g. the retention of *matai* voting in Western Samoa); Fiji settled for an electoral system that reflected, particularly in the lack of a common electoral roll, indigenous Fijians' fears of being politically overwhelmed by Indo-Fijians; and the creation of semi-autonomous provincial governments in Papua New Guinea reflected the inadequacy of efforts at nation-building in that country. Nevertheless, despite the forced pace and the many compromises, the transition to independence was essentially a peaceful process in the (British) Pacific ACP countries. The single exception was Vanuatu, where a separatist movement, Nagriamel, was put down by force of arms.

Although by 1980, the era of British administration in the Pacific had quietly come to a close, in many other parts of the Pacific, a less peaceful scenario had unfolded, especially in the French territories. The reality of continued French rule, whereas Pacific neighbours have their political independence, coupled with French nuclear testing, has resulted in violence both in New Caledonia and in Tahiti. The presence of indigenous minorities in New Zealand and Hawaii as well as in New Caledonia, with no prospects of separatism, has also created tensions. The prevalence of welfare colonialism in Micronesia and the strategic nature of those islands has resulted in a Micronesian perception of the de facto permanence of US rule. However, like the EU, the United States wishes to extricate it self from insignificant island states that were once crucial components of a now irrelevant defence strategy. As a result, the funding available under the US Compact of Free Association with the Marshalls and the Federated States of Micronesia will come to an end at about the same time as the Lomé Convention. Some of the Micronesian territories are in 'free association' with the United States, but free association means different things. The territories freely associated with New Zealand (Cook Islands and Niue) may terminate their free association simply by amending their Constitutions. The Micronesian territories in free association with the US are bound to the US in perpetuity, which in effect prevents a full and final decolonisation.

Despite the unusually peaceful decolonisation process in the Pacific, in the first flush of independence little serious thought was given to the economic futures of these newly-independent entities. This future looks increasingly bleak.

Since independence, the political relations between the Pacific ACP states have generally been very good - by and large a good deal better than those between the Pacific ACP states and some of the former colonial powers who are members of the EU. There has generally been very little controversy. The ACP states have not produced dictatorships that have resulted in the suspension of aid, as in parts of Africa. Moreover, the actual disbursement of Lomé aid has not been associated with wide-scale fraud and corruption, and as a result the Lomé Convention has been implemented with very little political difficulty.

Unlike on the African continent, the on-going sucessionist war on Bougainville, the 1987 coups in Fiji and the on-going refusal of the aristocracy in Tonga to concede anything resembling democratic rights to its citizens have resulted in the most measured of responses by the EU. The abuse of human rights is, of course, in all of these political events, relatively minor when compared to the far greater abuses in Africa that have resulted in suspensions of EU aid. In the Pacific, the more overt manifestations of European displeasure with Pacific policy have been reserved to the environment and to the relatively slow pace of Pacific ACP implementation of Lomé projects.

However, the perception that Europe is more concerned with the rights of trees and turtles than those of people is simply not valid. For example, the EU has recently provided funding for NGOs in Fiji associated with a broadening of constitutional rights and has moved more delicately in PNG and Tonga. In the context of the Pacific, such a diplomatic approach is likely to yield greater returns than economic assistance alone.

3. CONSTRAINTS ON ECONOMIC DEVELOPMENT

The following section considers the basic economic constraints confronting the Pacific Island region. Most of these constraints have been identified in the consultancy reports provided in such prodigious quantities by the multilateral financial institutions and bilateral aid donors. These reports are in a sense homogeneous products with a rather uniform set of conclusions and recommendations. While many are clearly correct, others are regrettably misdirected. Such policy prescriptions are inappropriate for a region where the traditional recommendations of structural adjustment are virtually impossible because of the low level of economic development and multiplicity of development constraints.

3.1 Size of market and scale of operations

The limited size of the domestic market and supply of factor inputs reduces the availability of economies of scale and hence adversely affects the competitiveness of Pacific Island producers. In general, any product requiring large-volume production cannot be considered within this region so that island states must increasingly concentrate on small market niche products.

To overcome the small size of the domestic market, the Pacific Island countries could become part of a larger trading bloc. This has been recommended on a number of occasions, but the islands are reluctant to pursue this type of policy because the loss of sovereignty it entails is especially distasteful to nations that have only recently achieved independence. Many of the reports have recommended the formation of trading groups, but the views by no means have been homogeneous. However, the lack of a clear regional consciousness - even more so than in other parts of the world - renders a more regional perspective difficult. Furthermore, the large distances between the island countries and between the island countries and their main markets increase transport costs and hence reduce competitiveness. The effects of these distances on competitiveness can be minimised by establishing efficient, low cost shipping and aviation services. In this area there does seem to be advantages in regional cooperation. Increased competition in aviation could lead to lower air fares, with resultant gains in tourism. The European Union has been at the very forefront of assisting Pacific Island states to improve transportation infrastructure under Lomé II and III.

Smallness is inherently a problem when combined with isolation only if one seeks large-scale distant markets. The increased costs associated with this apparently fundamental and immutable characteristic of the Pacific ACPs means that large-scale exporting is simply impossible. The characteristics of isolation and diseconomies interact in a non-linear way. An example may be sufficient to explain some of the complexities involved: the distance between Suva and Tokyo is twice that between Honolulu and Tokyo, yet in 1994 air freight rates for cut flowers from Suva to Tokyo were four times as high as between Honolulu and Tokyo. In large measure, this was the direct result of the fact that at the time there was only one carrier with sufficient capacity to carry cargo and most of that space was being employed for chilled fish. Rates, since the entry of a new competitors, have begun to fall. A similar experience occurred in the case of Tonga when it began exporting squash to Japan. At first it paid P$260,000 per shipment. However, within a year or two, as exports increased and competition for shipments began to increase, the rate fell to P$ 100,000 per shipment. As a result, the cost of isolation was decreased.

Smallness is problematic also because the Pacific ACPs choose to operate within the context of the geopolitical legacy of the colonial powers. The Pacific ACPs are small when they act alone but there is absolutely no reason for this to be the case. Moreover, there are demonstrable economic benefits to greater regional co-operation. The example of a multilateral fisheries access treaty with the US, which provides returns of 10% of catch compared with the 2% that Pacific ACPs receive in bilateral agreements with Taiwan, is an example of how the Pacific ACPs can benefit from co-operation at a regional level. As small individual suppliers of tuna, however, the Pacific ACPs can expect to continue to receive low rates of return for the sale of their product.

3.2 Mobilisation of land resources

One of the most difficult and sensitive constraints facing Pacific ACPs has been the mobilisation of land resources in the development effort. In all Pacific ACPs the majority of land is traditionally owned, and only in one country - Fiji - has there developed an appropriate mechanism for intermediation between traditional land owners and developers. Fiji's *modus vivendi* between investor and traditional landowner has permitted a degree of orderly lease of land and avoided the difficulties experienced by other Melanesian countries. Fiji is unique in the Pacific, having a relatively abundant land resource, unlike most of Polynesia, as well as a transparent, consistent and relatively reliable means of leasing some of that land, unlike much of Melanesia.

This depiction of Fiji's land tenure system as conducive to investment and trade development is by no means static. There have been dramatic changes, and there is increasing evidence that large tracts of land will be returned to traditional owners when the principal legislation governing the lease of sugar cane land, the Agricultural Landlords and Tenants Act (ALTA), expires in 1997. Moreover, in the last few years, blockades of hotels in Fiji by traditional landowners have shaken the confidence of investors in the tourism sector in leasehold land.

In Melanesia, especially in PNG and to a lesser degree in Solomon Islands, the absence of clear delineation of land title has created a situation where land disputes have delayed or completely halted development contracts. This is compounded by a widespread perception among investors that traditional landowners in Melanesia are unwilling to fulfil the terms of various land contracts. This lack of faith in the force and the enforceability of contracts has impaired investment and, ultimately, export-oriented growth.

3.3 Proneness to natural disaster and external shocks

The small Pacific Island states are especially vulnerable to external shocks of two types:

- *Natural disasters*. For example, in years with a cyclone, export earnings fell sharply, in Fiji in 1980 (31% fall), Vanuatu in 1985 (42% fall), Western Samoa in 1991 (39% fall). The data above do not fully measure the impact of natural disasters. Western Samoa has been utterly devastated not only by the impact of cyclones Ofa and Val in the early 1990s, which devastated the export sector, but by the effects of taro blight in 1993, which wiped out the country's food staple and remaining agricultural export. As a result of natural disaster, the import to export ratio in Western Samoa has gone from an average of 3:1 to 14:1 in 1993.
- *Terms of trade shocks*. A recent example of this has been the growth and sudden decline in Fiji garment industry exports to New Zealand. In 1987 exports were F$ 312,792, rising to F$ 54.6 million in 1989 and F$ 50.7 million in 1990 before falling to F$ 19 million in 1993. In large part, the loss of the New Zealand market is attributable to the decline in margins of trade preference resulting from the unilateral trade liberalisation, along with the simultaneous revision of the New Zealand Income Tax Act, which included all income derived from the tax-free garment factories in Fiji as income in New Zealand.

3.4 Law and order

One of the most serious structural constraints to development in PNG and increasingly in Fiji is the perceived deterioration in law and order. The economic effect of this has been a rise in operating costs and decrease in relative competitiveness of those Pacific ACPs confronting such problems. The cost increases come not only from the direct costs associated with increased security, but also, and possibly more importantly, from the increased risk premium that mobile skilled labour and management put on working in such countries. This results in increases in the amount of net emigration of such skilled labour and management and limits the willingness of individual local small investors to invest.

3.5 Poor skill development and relatively low levels of educational attainment

Literacy rates in the region, especially in Melanesia, are low and in general there is an inadequate supply of skilled labour. In many of the countries of the region, skilled tradesmen need to be imported even for medium-sized construction projects. Only Fiji and, to a lesser degree, Tonga possess a pool of skilled labour and management that is capable of shifting from product to product and sector to sector.

In fact, the absence of a pool of skilled labour and management is the greatest single constraint to the development of the region. The reason is that in most export industries unskilled labour is simply not a large enough component of total cost to offset efforts to change wages to overcome the cost disadvantage of having to use imported manpower (which is paid not only an international market wage but often also a hardship or risk premium to induce labour to work in Pacific ACPs).

One study found that a model Fiji garment factory would be unprofitable, given the cost structure, in all twelve other Forum Island countries. Skilled labour was such a large proportion of total cost and was so much more expensive than in Fiji that the project was not viable. Even with unskilled wages set at zero, the project was viable only in Solomon Islands, which has the most competitive nominal wages in the region. While the study managed to compare nominal price and wages in Pacific ACPs, there was no attempt to study productivity levels which are demonstrably lower than in many competing countries in Asia. This is in large measure because of the absence of any serious research on productivity in the Pacific ACP region, despite the continual claims that it constitutes a serious constraint to development. The importance of the conclusion is that if, even with zero wages, the most basic labour-intensive export industries such as garment manufacturing would prove unprofitable, then the calls to lower real wages in order to stimulate exports from the region may prove futile until such time as the skills exist to assure that export supply elasticities are significantly greater than zero.

These low levels of productivity observable in the Pacific ACPs are in large measure a product of this stage of development. As education levels rise and as experience is gained in the modern context, productivity will almost certainly rise. However, little can be done very quickly that will result in the attainment of productivity levels comparable to those currently observed in Asia. It is one of the areas on which Pacific ACP governments must place great emphasis, as orthodox economic policies will not prove successful until a pool of skilled labour is developed.

3.6 Constraints imposed by the impact of macroeconomic policy

a) Currency

Many of the problems of economic development confronting the region are neither externally imposed nor the result of the nature and location of the region. The state of the macroeconomic environment has been a continual source of discussion by economists from the development banks. There is good reason for this. They understand exchange rates. The complexity of the microeconomic structural and cultural problems of countries is a problem not dealt with easily by anyone, and not even the passage of time necessarily resolves these difficulties easily. Thus while the multilateral development banks always pay lip service to the structural issues, it is the macroeconomic issues upon which they focus. Recently several studies have indicated that there appears to be strong evidence of currency over-valuation in a number of countries and abundant evidence that currency devaluation can, in the correct environment, provide an important stimulus to economic development. There can be no doubt that even in a country such as PNG, currency devaluation will stimulate some export development. However, it is more likely to foster the development of the domestic food production sector, which languished throughout much of the post-independence period under the heavy weight of the PNG's hard kina policy.

b) Labour market

To the extent that Pacific Island governments' policies fail to restrain wage rises, competitiveness will fall, causing a reduction in opportunities for trade. The Price Waterhouse report, *Traded Services in the Forum Countries,* concluded (s. 2.4):

> *Thus, greater labour market flexibility may be necessary in relatively high cost destinations such as Vanuatu, Fiji, Tonga and PNG.*

The report also noted that some limited progress had already been made in this direction (s.3.14):

> *In Fiji and PNG there have been moves towards enterprise based negotiations on wages and productivity growth has become a factor in determining wage rises. These are useful moves towards freeing up the labour market which should contribute to more efficient employment and use of labour.*

c) Taxation system

In the Pacific ACP states there has been a very high dependence upon import duties and this has rendered the countries inefficient in the past. Many of the reports recommend reform, though this has been a remedy rarely accepted.

The World Bank Report (s. 2.64 and s. 2.66) argues:

> *While providing a steady stream of revenue, high import duties raise the cost of doing business in the PMCs and discourage exports. In terms of providing protection for domestic producers, high import duties are counter-productive. Remoteness from major markets already provides the PMCs with a high degree of natural trade protection …*
>
> *While high tariffs convey a measure of protection to domestic producers, opportunities for import substitution are quickly exhausted because of small populations and low incomes.*

The obvious response is to cut taxes on imports, but this raises the question of alternative sources of government revenue. The World Bank Report favours a switch to a value-added or consumption tax (s. 2.66):

> *Through well managed macroeconomic policies the Pacific Island governments can help improve the efficiency of domestic producers and hence encourage trade and investment. However these measures will count for nought if in practice the will to invest is frustrated by complex bureaucratic procedures.*

d) Loss of trade preference

The Pacific ACP states that have successfully managed to export in large volumes have frequently done so with the assistance of trade preference under the terms of the Lomé Convention, the SPARTECA treaty and the GSP. The closure of the Uruguay Round and liberalisation of external tariffs has meant that the margin of trade preference that had been available to Pacific ACP states has been eroded in their traditional markets. This has decreased the value of these preferential trade agreements.

The World Bank Report has clearly stated that Pacific ACP states will lose trade preference directly as a result of the closure of the Uruguay Round (s. 2.43, p. 20):

> *Practically all the Pacific Island states' present and potential exports will suffer from some measure of preference erosion as a result of GATT-agreed tariff reduction… But how important will this be to the short and medium term trade performance in Pacific Island states? The answer to this is probably very little in the short run, but potentially much more so over 5 or 10 years unless Pacific Island states adjust to a more competitive global marketplace.*

The 1995 ESCAP report has been more explicit in its assessment of the impact of the Uruguay Round. The ESCAP Report states (p. 13):

> *Prior to its establishment, the Director General of GATT emphatically stated that the successful conclusion of the Uruguay Round meant more investment, more jobs and larger income growth for all … However, as the details of the package negotiated in the Uruguay Round are unraveled a less euphoric interpretation is emerging. Many analysts believe that the benefits from the new deal will be unevenly distributed. Sub-Saharan Africa, the Caribbean and small Pacific Island economies may in fact stand to lose overall despite elaborate provisions for special and differential treatment for developing countries and more favourable treatment for least developed countries and net food importers.*

Effects of the closure of the Uruguay Round will include:

- increases in the prices of imported food;
- decreases in sugar prices for Fiji exports;
- increased competition in garment exports; and
- decreased margins of trade preference for tropical tree crop products into the EU market.

4. IMPACT OF THE LOMÉ CONVENTION

The impact of the Lomé Convention on the region has been substantial. As an instrument of development, it has affected almost every aspect of economic life from how national budgets are allocated to what is produced and exported and where it is exported. This paper will touch on these aspects only in the most general terms. In virtually every one of the areas that are considered to be constraints, the EU has offered significant economic assistance to the region. Without the EU there is no doubt that the problems of isolation and distance would be far more serious than they presently are. In telecommunications, transport infrastructure, shipping and the provision of harbour and airport facilities, the Lomé Convention has been one of the keys to the region being able to maintain a standard of living even approaching the current low level.

4.1 Aid

The Pacific ACP region is one of the greatest per capita aid recipients in the world. In large part this stems from the fact that the purpose of per capita aid is really not to target people (i.e. aid/capita) but nation states (i.e. aid). In this regard the Lomé national indicative programmes (NIPs) are no different. The obvious target is aid, not aid per capita, with a great deal of political interest in allocations. The EU has made the point quite clearly that it is the region's second largest aid donor, with allocations at the end of 1990 standing at ECU 930 million, calculated from the beginning of the Lomé I Convention. Not only has the aid level been large but the allocations to the Pacific region have been disproportionately large, as is seen in table 1 below.

However, the NIPs do not give a proper indication of the total level of assistance that is offered under the Convention because they do not include the very large volume of non-programmed assistance that is available under Sysmin, Stabex, Articles 136-8 and other facilities of the Convention. The level of programmed plus non-programmed aid was four times higher than the ACP average (total PACP per capita aid 80.3 mecu, as against ACP average per capita aid 22.5 mecu).

These data create an unfortunate impression of the Pacific ACP region, since ACP averages have a special status with benefits far outweighing those of other signatories to the Convention. While superficially this may well be true, one must consider the very obvious fact that much of the aid coming to the Pacific are indirect subsidies to the nationals and consulting firms of donor states. In its most recent report on the region, the World Bank makes it quite clear that 45% of the region's aid is in the form of technical assistance. Much of this assistance is not priced competitively because of the absence of competitive bidding practices. Access to tendering is restricted to nationals of the donor states. The World Bank states (1995, p. 8):

Table 1
The per capita value of national indicative programmes under Lomé IV/1

Country	Population	Envelope (Mecu)	per capita NIP
Fiji	700,000	22	31.42
Kiribati	70,000	6	85.71
PNG	3,480,000	40	11.49
Solomon Islands	290,000	19	65.52
Western Samoa	160,000	9	56.25
Tonga	110,000	6	54.55
Tuvalu	8,000	1.3	162.5
Vanuatu	140,000	6.5	46.43
Regional Cooperation		35	7.06
Total PACP NIP + Reg	4,958,000	144.5	
Total ACP NIP	473,338,000	4,581.3	9.67

Source: Author's Estimates

*A dominant characteristic of aid in the PMCs (**Pacific Member Countries**) is the high proportion of technical assistance; 45% of all grant aid has been in the form of technical assistance. It is not clear what this relationship might have to growth performance. On the one hand, it is thought that the bulk of the funds provided as technical assistance replaces current public expenditure such as schools, hospitals and some ministries and that it accrues as income to expatriates rather than tangible investments to the aid receiving country … Thus technical assistance does provide expertise, equipment and training of local professionals or help meet shortages in specific areas, a role that could theoretically improve productivity, **if priced competitively (emphasis added)**.*

Regrettably, EU aid is no exception in this regard, with a large portion of it returning as technical assistance payments to European firms and expatriates.

4.2 Trade preference and the perpetuation of the colonial economies

The trade preference given to the Pacific ACP states has been crucial, especially in Fiji, to the stability of the economy. While stability is vital, it has also meant that in certain key export sectors, the region has not moved to more profitable products as rapidly as would otherwise have been the case. This has meant that the economy of Fiji, the single largest beneficiary of trade preference, remains 'stuck' with largely the same structure of exports as in the colonial era. In large part, the trade preference has been taken up by Fiji with the huge benefits it receives from the Sugar Protocol; as well, the benefits from tropical tree crop products go to PNG and Solomon Islands (see table 2). The other important area has been the development of the South Pacific tuna export industry, which has developed largely as a result of the very high margins of trade preference available for ACP exports to the EU. As we shall see, though, the EU has successfully used its rule of origin to restrict trade, causing the development of an industry that is almost permanently unprofitable.

Table 2
Estimated benefits of preferential trade agreements to Pacific ACP states (USD 000's)

	Benefit in 1991	**Benefit 1980-1991**	**Share of Benefit 1980-1991**	**Share of Benefit 1991**
Fiji	105,125	712,725	88.5%	87.1%
Kiribati	0	251	0.0%	0.0%
PNG	5,148	71,280	9.6%	8.7%
Solomon Islands	7,858	30,133	1.3%	3.7%
Tonga	0	43	0.0%	0.0%
Tuvalu	0	0	0.0%	0.0%
Vanuatu	120	884	0.1%	0.1%
Western Samoa	9	1,037	0.1%	0.1%
TOTAL	**118,260**	**818,293**		

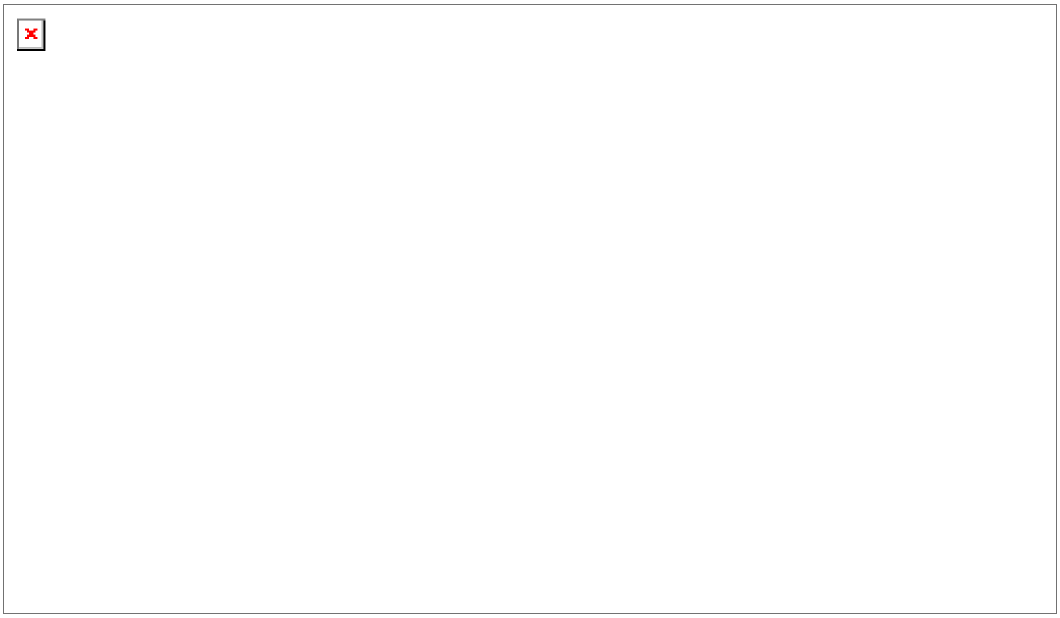
Source: Author's Estimates

a) The Sugar Protocol: Exporting the CAP

Since 1975 Fiji has had a quota of 163,000 tonnes of sugar into the EU market under the terms of the Lomé Convention. This sugar has been sold at the EU's intervention price, which in most years is two to three times the world price of sugar. In 1995 this was supplemented by a further quota of some 40,000 tonnes. The result has been that Fiji in 1991 received a net transfer from the EU of $ 90 million, or 4% of GDP. For the average Fiji sugar farmer this translates into a net operating profit of about $20/tonne of cane.

It is expected that the price of sugar will decline by approximately 12% by the year 2000 as a result of the Uruguay Round agreements. This will mean a once and for all decrease of GDP of approximately 1%. The effects on the producer price of Fijian cane farmers in Fiji if the Sugar Protocol were ever to be removed is shown in Chart 1 below. The average Fiji sugar farmer would move from being profitable to being marginal.

One of the few immediately beneficial effects of the Uruguay Round has been that the EU has included the Sugar Protocol in its offer to the GATT. This means that it will be even more difficult for the EU to remove the Sugar Protocol, because the minimum access provisions of GATT would prohibit the EU from decreasing access from current levels. This, of course, does not preclude the EU from decreasing intervention prices that are paid for Fiji and other ACP imports.



Source: Fiji Sugar Corporation

The sugar quota was created largely to help Tate & Lyle in the UK, which needed a supply of cane sugar for its refineries in London and Liverpool. This dependence on cane sugar led to the EC's original agreement to the Sugar Protocol in 1975. The Sugar Protocol costs the EU between 500 and 700 million ECU per annum (25% of the annual cost of the entire Lomé Convention). The EU is one of the world's largest sugar exporters, so it is importing sugar from the ACP states only because of the interests of Tate & Lyle and the other smaller cane refiners in the EU. However, there exists an important legal imperative that will require the EU not to abrogate its obligations under the terms of the Sugar Protocol even if political reasons to do so should arise. The interpretation of this Article is crucial because it has been interpreted to mean that the EU cannot abrogate the agreement unilaterally but must seek the agreement of the sugar producing ACP States. Given that current intervention prices remain between two and three times above the world price, such agreement is unlikely to be forthcoming without significant compensation.

The EU will keep sugar intervention prices high for the foreseeable future because sugar remains one of the few highly profitable crops in Europe. By extension this will also benefit Fiji and other sugar producing ACP farmers. One other reason why the EU sugar prices will be maintained at high levels is that the Common Sugar Policy, which governs the production and pricing of sugar in the EU, puts no immediate pressure on the EU budget because it is self-financing. Price support regimes for other products under the CAP fall upon the consumer as well as the EU, but the full cost of the sugar policy is borne by the consumer and hence there is less political pressure for its reform.

b) Trade in tree crop products: GATT and Lomé

Despite what were, even prior to the closure of the Uruguay Round, small margins of trade preference, the benefits offered by the Lomé Convention in the tropical tree crop sector remain. The two countries that are most likely to be affected by any loss of trade preference are PNG and Solomon Islands, which have significant exports of tropical tree crop products to EU markets. The most important products to be affected by the EU offer to the GATT are palm oil, coffee, and cocoa. (Copra already enters the EU market duty-free, so there is no margin of preference and most PNG tea is sold to Australia.) The EU offer on commodities relevant to the Pacific is contained in table 3 below. What is relevant is that the existing margin of preference over non-ACP producers is declining. In the case of certain commodities that are low value to weight (such as palm oil) and where Pacific ACP producers are already disadvantaged because of high transportation costs, the elimination or the substantial decrease in the margin or preference may endanger viability even further.

The extent to which the loss of margin of preference is a problem varies from crop to crop. In the case of palm oil, where Pacific ACP (as well as all ACP) exports are insignificant in comparison to exports from non-ACP countries (such as Malaysia and Indonesia), the small margin of preference currently being obtained by PNG and Solomon Islands is not sufficient to affect the market price of the commodity. In the case of other commodities, the margin of preference becomes part of the overall negotiated price and can be extracted by either the producer or the trader. Traders in palm oil indicate that the margin of preference is never passed on to the consumer.

For cocoa, commodity traders indicate that they themselves are not clear how the preference is divided between the various interested parties. The vast bulk of cocoa bean exports to the EU market are from ACP states, so the world market price would tend to reflect more closely the tariff status of the commodity. The European Coffee Contract, on the other hand, states that the import duty is the responsibility of the buyer.

This raises the question of whether the price is so adjusted as to reflect the margin of preference. There are two possibilities: Either the margin is passed on to the producer (in many cases the smallholders) or it becomes a part of the trading margin of the exporter or importer. In the former case, where the smallholder and producer get the actual margin, then the Uruguay Round will result in a diminution in the incentive to produce tropical tree crop products that are affected by the EC offer. Moreover, under most commodity supply contracts, the shipping cost is paid by the exporter. This simply increases the competitive disadvantage faced by Pacific ACP commodity exporters.

If a large part of the margin of preference is captured by the importer, as is certainly the case with complex commodities such as cocoa, it is possible that this will decrease the incentive to purchase from ACP countries in general and Pacific ACPs in particular. (Note, though, that in the case of PNG, some of the largest exporters were unaware of the existence of a margin of trade preference for their cocoa in the EU.)

The outcome for coffee will depend upon the bargaining power of those negotiating the contract. When a substantial portion of EU coffee comes from ACP countries, the price would reflect the margin of preference. However, the EU coffee price is not determined by ACP suppliers alone. In an attempt to assist Latin American countries trying to fight the drug trade (e.g. Columbia), the EU also grants them duty-free access to the EU market. The particular commodity and the particular market conditions determine who receives this margin of preference. However, the loss of this margin or its diminution can only serve to further diminish the incentive to produce the coffee or other tropical tree crops or to buy them from distant and relatively high cost Pacific ACPs.

In three Melanesian countries where export of tree crop products is significant, tropical tree crop dependence (expressed as these exports as a percentage of total exports) has declined, over the period 1980 to 1992, from 35% to 14% in PNG, 33% to 24% in Solomon Islands and 78% to 44% in Vanuatu. (Most of these exports are into the EU, Australia or New Zealand.)

The decrease in margins of trade preference for tree crop products also affects revenue from the EU's commodity stabilisation program, Stabex. Payments to countries under the scheme depend upon the volume of commodity exports. Clearly the smaller the margin of preference into the EU market, the greater the incentive that exporters will have to find markets within the Pacific region, rather than in the EU. As a result, the decrease of margin of preference will have a secondary effect upon Stabex earnings.

c) Tuna products

Probably the area where the EU's system of trade preference has had the greatest impact on the Pacific ACP states has been in the canned tuna sector. This industry exists in the Pacific ACP states largely because of the margins of trade preference that are available. If the Lomé Convention is the midwife of the Pacific ACP canned tuna industry, then the rule of origin must be seen as the instrument whose use has given rise to a badly handicapped infant whose parents now apparently wish to discard it.

The rule of origin specifies, among other things, that the vessel upon which the fish was caught must be 51% ACP or EU-owned. This instrument is totally outside the spirit of the harmonised rule of the Uruguay Round and no doubt explains why during the Uruguay Round the EU so strenuously opposed the extension of the agreed rule of origin provisions to preferential treaties. While the 51% rule may make considerable sense for developed countries, its use in a country that does not have the capital may act to constrain the industry whose development is the purpose of the provision. However, assuming that we can take the EU's rationalisation of this provision at face value (i.e. it exists to assure that other parties do not take advantage of it and that Pacific ACP states actually benefit), how does this stand up to the facts in the Pacific?

In Solomon Islands, the rule did not impede one of Japan's largest food processing companies, Taiyo Gaigyo (now Maruha), from entering the country and using the provisions. The 51% rule was met by an effective transfer of ownership to the state over a number of years. The Solomon Islands government did not directly pay for its interest in Solomon Taiyo. Only on eight occasions since 1973 has Solomon Taiyo ever made a profit. This is not surprising. Because of the rule of origin, the effective rate of tax on every dollar of profit in the Solomon Islands fisheries is 79%. The last time the company paid any corporate taxes was in 1982. It has just recently renewed its agreement with the government of the Solomon Islands for a third joint venture agreement.

Table 3
Present EU MFN rates of import duty and the GATT offer Commodity Pre-Uruguay Round
MFN RateGATT Offer

Table 3
Present EU MFN rates of import duty and the GATT offerCommodityPre-Uruguay Round
MFN RateGATT Offer

Cocoa Beans	3%	0%
Cocoa Shells	3%	0%
Cocoa Paste	15%	9.6%
Cocoa Butter	12%	7.7%
Cocoa Powder	16%	8%
Coffee - not roasted - not roasted - decaf	 5% 13%	 3% 8.3%
Coffee - Not Decaf - Decaf	 15% 18%	 7.5% 9%
Instant Coffee - concentrates - preparations	 18%	 9%

basis-extracts - other	18% 13%	11.5% 9%
Tea-green - > 3 kg - < 3 kg	0% 5%	0% 3.2%
Tea-black - > 3 kg - < 3 kg	0% 5%	0%
Tea-essences	12%	6%
Tea-preparations - of essences - tea, mates	12% 13%	6% 6.5%
Copra	0%	0%
Coconut Oil (crude-technical)	5%	2.5%
Coconut oil - other - < 1 kg - > 1 kg	20% 10%	12.8% 6.4%
Palm Kernel Oil (crude-technical)	5%	3.2%
Palm Kernel Oil (other) - < 1 kg - > 1 kg	20% 10%	12.8% 6.4%

Source: European Community

However, STL was not the only fiscal disaster that resulted from the rules of origin. In order to meet the Taiyo cannery's demand for fish, the Solomon Islands government established the National Fisheries Development Company (NFD) in the 1980s specifically to overcome the ownership provisions of the rule of origin. State ownership of NFD proved to be a massive financial liability and the company has now been sold to Canadian interests.

In Fiji, the 51% ownership provision has been overcome in a slightly less damaging manner by separating the fishing company from the cannery. The government established its own fisheries company, IKA, which ran a fleet of six to ten pole and line vessels to feed the PAFCO cannery that supplied the British tuna market. The public Annual Reports of the Fiji Department of Fisheries demonstrate that the state-owned fishing boats as a group catch as much as one or two vessels operated by the Japanese. One of the reasons that the cannery has given for its relatively poor performance has been its inability to acquire sufficient fish. It cannot buy fish from American Samoa and therefore must either catch the fish in local waters or buy them from Kiribati or Solomon Islands. In large part it has been the failure to obtain sufficiently high levels of input that has been responsible for the company's lack of profitability.

In short, the rule of origin has not stopped foreign control of the fleets or the canneries. It has not assured benefits to the islands, but it has created an industry that is potentially viable if it is restructured and put onto proper footing. The EU has a clear moral obligation to help defray the cost of repairing the damage its margin of preference has inflicted on the industry. The Pacific ACP states are not blameless in this matter. They have refused on many occasions to deal with the problems confronting their industries. For example, it is widely known, though not documented, that the pay structure on Fiji fishing boats is such that officers receive a flat salary and hence have limited incentives to catch tuna. Fiji has known of this situation for many years but has done little to alleviate it.

5. THE RESTRUCTURING OF EU AID

The Lomé Convention, despite its many shortcomings (some of which have been emphasised above), has been an instrument that has brought enormous levels of development assistance to the people of the Pacific. Roads, bridges, airports, shipping, telecommunication - the EU has rendered assistance to all of the infrastructural problem areas that plague the Pacific. There can be no doubt that without EU aid the infrastructural constraints to the economic development of the region would be far more serious than is presently the case.

The trade provisions of the Lomé Convention, despite their many distortions, have created a level of modest prosperity among some of the poorest citizens of the region. Those working in the cane fields in Fiji, in tropical tree crop plantations in PNG, Solomon Island and Vanuatu, and in the fish canneries are without doubt considerably better off than would otherwise be the case. To them, more than to the governments, the loss of Lomé trade preference will be an economic disaster that will touch hundreds of thousands of lives.

The EU wants to abandon the ACP arrangement and one can well understand why. For those who have made their careers from the creation of neat and tidy regional arrangements, the ACP states - a disparate collection of selected former European colonies, which includes neither former Spanish nor Asian colonies - are a messy arrangement. The Lomé Convention is also a symbol of a period of colonialism that many in Europe would prefer to forget. The year 2000 seems a good point to end this post-colonial link once and for all. The obsessions of the 1970s with third world resources no longer seem important. As trading partners, the ACP states have been a clear failure and have become less significant, politically and economically, with time.

In Brussels there are more pressing concerns. Europe is concerned with the effects of the collapse of the former Soviet Union. Population movements arising from this collapse and immigration from Africa, are perceived as threatening to destabilise Europe itself. For this and a host of other geopolitical reasons, Europe will continue to 'prefer' Africa and refocus aid on Eastern Europe. At the same time, the Caribbean has been 'willed' to the Americas through the Caribbean Basin Initiative.

So far this is all very neat. But where does that leave the Pacific? In the new international division of labour, the Pacific Island states belong with the rest of the Pacific. That is also a handy - but for the Pacific a disastrous - solution. They are dependent upon the European markets for exports, in an almost unnatural fashion. If the EU attempts to put the Pacific Island states into a formal association agreement with Asia, as has been proposed on a number of occasions, then the Pacific Islands must resist with whatever political power they have. Nothing would be more disastrous to export sectors or to aid flows than to be lumped together with northern neighbours, who are the principal competitors in the European market for tuna and tree crop products.

The future of pacific ACP relations with the EU - an afterthought

In the final analysis, one must ask what the future may hold for the relations between the Pacific ACP states and the EU. No answer to this question can come without a return to an analysis of what interests the countries that constitute the EU, had in coming to this region at the far end of the earth over one hundred years ago. The colonisation of the islands was rarely the specific intention of economic exploitation. The entry of the main European players into the island states was in response to the entry of Germany and Spain, respectively late or emaciated colonialists, who were left with only the droppings of the great powers - France and Britain. With the entry of Germany into New Guinea and Samoa and Spain in the Carolinas and Marshals, the great powers had little option but to enter to protect their more important colonies in Australia and New Zealand from possible German encroachment. The economic development and the expansion of plantation agriculture and mining was often an afterthought by the colonial masters to minimise the costs on the colonial government's budget. The islands, in terms of resources, were certainly not India nor were they even seen as an Africa. The resource supply to Europe was never significant and hence the 'positive interdependence' that was the foundation of European relations with Africa or the even the Carribean was less pronounced in the Pacific. The Pacific islands were, and remain, an afterthought of the post-colonial era.

The Lomé Convention was created at the very end of the colonial era when resources were once again, if briefly, the principle issue of what euphemistically was called the North-South Dialogue. In many ways, the Convention was the high point of the post-colonial era. By 1996 Europe no longer saw security of natural resources as an issue. The common currency of the 'free market ' is that markets will supply such resources. There is no longer any need to form relations with states since the market is global, and if one country will not supply needed resources for European economic growth, then others will. Perhaps the free marketeers are right, but the costs of type two error in this case may be European prosperity in the 21st century.

While history is very long and there will almost certainly be a point in the future when Europeans will be short of resources, it is by no means evident that the continuation of the Lomé arrangement with the ACP states in general, and Pacific ACP states in particular, would assure those resources in future. Moreover if history is long, then memories are short. If the Europeans will be willing to pay, they will be able to secure those resources in future, irrespective of the economic damage to the Pacific that will be caused by a termination of the Convention in the year 2000.

If the positive interdependence associated with European natural resource needs will not be a foundation for Pacific relations, then the negative interdependence associated with Euro-aid - i.e. the fears of Slavic and African migration, AIDS, cocaine, and the Russian Mafia will also, much to the Pacific's good fortune, not act as the foundation for our future relations. We cannot threaten Europe with any of these problems because we do not have them. Hence the foundation for the Mediterranean and Ostpolitik of Europe cannot apply to the Pacific.

Since the islands neither constitute a threat nor provide any direct economic benefit to Europe, apart from being a good isolated place (i.e. isolated from European voters) to test atomic weapons, there is no obvious foundation for the relationship in the longer term. They were afterthought in the colonial era, an afterthought when Lomé was written, and remain just that.

It has been suggested that the only real foundation for the Pacific-EU relationship is that of pity - Pacific island misery being the basis for European benevolence to those less fortunate. While there are many in the islands who live in misery, there are three very good reasons why this cannot act as a basis for future aid relations. The first is that after twenty years of Lomé aid, with the exception of the commodity Protocols, the only poverty alleviation that is apparent from European aid is the alleviation of the poverty of European consultants, academics and engineering firms who have profited well from the ACP arrangement and will no doubt be its strongest advocates as 2000 approaches. In the Pacific, Lomé builds bridges and provides technical assistance, but it has failed miserably as an instrument of direct poverty alleviation. The second reason why misery cannot be a foundation for a relationship with Europe is that in comparison with sub-Saharan Africa the islands are again the most grateful losers of residual measure of human sympathy in Brussels for the poor and destitute. This, of course, brings us to the last reason why relative poverty cannot be a satisfactory foundation for future relations with Europe: benevolence, and the care for the poor, is a commodity in greatly diminishing supply throughout Europe and North America. In comparison with 1975, Europe is clearly less concerned about the plight of its own poor, whose numbers have grown much more rapidly than Europe's economies. From this, one can only conclude that a Pacific islands foreign relations policy predicated upon the assumption of Euro-pean concern for poverty in places so distant and remote as the Pacific islands is doomed to die quickly at the alter of Europe's new god - the free market.

The Pacific islands states have no basis for a relationship with the EU until the wheel of history moves again and Europe either cares about the state of the world's poor or it has good reason to want what few resources they possess. Until such time we remain, yours sincerely, an afterthought.

REFERENCES

AIDAB *Papua New Guinea: The Role of Government in Economic Development,* Canberra, 1994.

Brenner, R. 'La Communauté européenne et le Pacifique Sud', *The Courier,* September-October 1995, pp. 54-55.

Brown, C. and Scott, D.A. *Economic Development in Seven Pacific Island Countries,* International Monetary Fund, Washington, 1989.

Cole, R. 'Transnational corporations in the international trade of selected primary commodities from the South Pacific', in UN, *Transnational Corporations and the International Trade in Primary Commodities,* New York, 1994.

Coultas, M., Naisoro, N., Alexander, J. and Brookes, J. *Towards a New Era in a Dynamic Relationship: Fiji and Australia,* Martex International Trade Marketing Pty Ltd, 1994.

Croome, J. Reshaping the World Trading System: A History of the Uruguay Round, World Trade Organisation, 1996.

Davenport, M., Hewitt, A. and Koning, A. *Europe's Preferred Partners? The Lomé Countries in World Trade,* Overseas Development Institue, London, 1995.

Davidson, J.W. *The Decolonization of Oceania*, New Zealand Institute of International Affairs, Wellington, 1971.

-- 'From dependency to independence', *Journal of Pacific History,* vol. 8, 1973, pp. 158-70.

Elek, A. 'Review of Fallon et al., *Exchange Rate Policy in Papua New Guinea', Pacific Economic Bulletin,* 10(1), July 1995, pp. 146-50.

Economic and Social Commission for Asia and the Pacific (ESCAP), *Enhancing the External Trade and Investment of Pacific Island Countries, in particular with Asia: Policy Issues and Implications for the 1990s,* 1995.

Fallon, J., King, T. and Zeitsch, J. *Exchange Rate Policy in Papua New Guinea,* Discussion Paper No. 64, Institute of National Affairs, Port Moresby, 1995.

Forum Secretariat, Regional Trade Policy Seminar, Forum Secretariat Headquarters, Suva, 1992.

Grynberg, R. and Powell, M. *Taxation in the Island Nations of the South Pacific,* Vol. 1, University of the South Pacific/Australian National University, Canberra, 1994.

Hardin and Associates, *The Prospects for a Preferential or Free Trade Agreement between Papua New Guinea, Solomon Islands and Vanuatu,* 1990.

Hughes, A.V. 'High speed on an unmade road: Solomon Islands' joint venture route to a tuna fishery' in D. Doulman ed., *Tuna Issues and Perspectives in the Pacific Islands Region*, East-West Center, Hawaii, 1987.

Lal, B.V. *Broken Waves: A history of the Fiji Islands in the twentieth century*, University of Hawaii Press, Honolulu, 1993.

Macdonald, B. *Policy and practice in an atoll territory: British rule in the Gilbert and Ellice Islands Colony, 1892-1970*, unpublished Ph.D. thesis, Australian National University, 1971.

Martex Report - see Coultas, et al.

Nicole, G. and Grynberg, R. 'Allocations of national aid under the Lomé Convention: A cross-sectional analysis', Discussion Paper, Department of Economics, USP, Suva, 1996.

Price Waterhouse Economic Studies and Development Unit, *Fiji Export Development Strategy*, 1993.

-- *Traded Services in the Forum Island Countries: Removing Regulatory Barriers to Growth*, 1992.

Thompson Pacific, *Fiji Exports to New Zealand: A growth strategy report*, 1994.

World Bank, *Pacific Island Economies: Building a Resilient Economic Base for the Twenty-First Century*, Report No. 13803-EAP, 1995. [All 'World Bank report' references in the text are to this document.]

ABOUT THE AUTHOR

Roman Grynberg is a professor in the department of Economics at the University of the South Pacific in Suva, Fiji. He earned his Ph.D. in Economics from McGill University in 1988 and his M.A. in Economics from Simon Fraser University in 1974. He has served as a consultant for a number of projects and institutions, including UNCTAD, the World Bank, as well as economic advisor to members of the Parliament of Fiji. He was won a numerous fellowships and awards in Australia, Canada and the United States. He has written numerous articles on South Pacific economic issues, and co-authored a book on Resource Economics.

© Friedrich Ebert Stiftung | net edition JV & Maruschka Florczyk| Juni 1999