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Book Review

R.V. Cole and T.G. Parry (eds), *Selected Issues in Pacific Island Development,* National Centre for Development Studies, Australian National University, Canberra 1986, pp. vii + 264.

This is the second of the Pacific Policy Papers published by the Centre's Islands/Australia Project. The first reviewed the economy of Papua New Guinea. This one focuses on five other South Pacific island states — Fiji, Solomon Islands, Tonga, Vanuatu and Western Samoa.

The volume consists of seven sector studies — population, macro-economic policy, trade, transport, tourism, telecommunications and the South Pacific Regional Trade and Economic Agreement — and an introductory chapter by the editors which summarizes the main findings of these chapters and provides an overview of the key issues in Pacific island development.

The central problem of most of the South Pacific mini states is that they lack an economic base for national independence. This does not apply to Papua New Guinea with its substantial population and mineral and agricultural resources, nor to Fiji which has an agricultural base in its sugar industry and an important tourist potential (though both are at present buffeted by adverse world economic trends); nor perhaps, at least for while, to the phosphate and nickel islands. All others, including the four others examined in this volume, with an average population of under 100,000 (Niue, Tokelau and Tuvalu have under 10,000 each), seem unlikely to become economically self-supporting in the foreseeable future.

At present they manage through aid. The South Pacific nations are among the highest per capita aid recipients in the world. Niue, with a per capita income of $US1080, received $US1294 aid per head in 1982, Tuvalu with a per capita income of $US570 received $US827 per head. (By comparison, Papua New Guinea's share of $US102 per head and Fiji's of $US56 seem modest, but they should be compared with India's of $US2 and Indonesia's of $US6 per head, despite their much lower per capita incomes.) As the editors point out, such massive dependence on foreign aid has much the same adverse 'Dutch disease' effects on economic development as an oil bonanza, raising the exchange rate and making local industries less competitive internationally. It is also liable to have detrimental social and psychological effects analogous to those experienced by people living on welfare in western countries. But it is a vicious circle. Unless and until these island states can get closer to economic self-reliance, they remain dependent on the goodwill of aid donors, such as Australia and New Zealand; the Soviet strategic interest in the region puts them in a strong bargaining position.

The authors of the sectoral studies carefully examine the potential for economic development through diversification of agriculture, through trade and tourism (though oddly, there is nothing about fisheries nor, because of the choice of countries, about minerals) and the conditions for making the most of this potential through sensible economic management. The islands' demographic and education problems also receive full and interesting treatment.

The authors and editors have made a valuable contribution by making available so rich an assembly of facts and discussion of policy problems about one of the less well known parts of the world.

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