

Small Countries, Big Lessons: governance and the rise of East Asia

Hilton L. Root, Oxford University Press, Hong Kong, 1996, ISBN 019 590026 X, 246 + xxi pp.

In the 1980s, the World Bank became increasingly interested in issues of governance as it sought an explanation for the high rates of failure of its aid projects and structural adjustment programs, particularly in sub-Saharan Africa. In the 1990s, several of its key publications have focused on the role of the state and governance questions more generally, most notably its 1993 report on *The East Asian Miracle* and the 1997 *World Development Report*. Meanwhile, with the triumphalism of the West following the end of the Cold War, questions of governance became increasingly entangled with a new insistence on the part of some official donors on the need for democratisation.

Hilton Root's *Small Countries, Big Lessons* is a response from the Asian Development Bank to the governance debate. Root argues that most of the literature on governance reflects the experience and interests of Western donors, neither of which is necessarily relevant to the particular circumstances of Asian countries. In particular, Root notes that the conflation of democracy with governance is unhelpful. Several East Asian governments have enjoyed considerable success in promoting growth with equity, in limiting bureaucratic corruption, and in pursuing interventionist industrial policies. And the most successful of these have not been democracies.

Root's book consists of seven country case studies—the Republic of Korea, Taiwan, Singapore, Hong Kong, Malaysia, Indonesia and the Philippines—together with three overview chapters. The case studies draw on papers commissioned

from country specialists, supplemented by interviews conducted by Root with representatives of the government, private sector and academia in each of the countries.

To conduct a comparative analysis of governance across seven countries in South-east and Northeast Asia is a herculean task. The case studies vary considerably in length. They range from nine pages for Taiwan to 24 for Malaysia, the amount of detail contained in each apparently in part a reflection of the author's own expertise. Not surprisingly, their quality is also uneven. The Southeast Asian cases are far stronger than their Northeast Asian counterparts.

The author's treatment of issues across the cases exacerbates the problem of lack of comparability. Rather than systematically addressing a set of core themes (such as mechanisms to contain corruption) across all cases, Root emphasises different ideas for each country without considering the extent to which factors seen as positive in one country are also present in others. In Korea, for instance, he sees success stemming from the government of Park Chung Hee's emphasis on institutionalisation; in Taipei from the autonomy enjoyed by technocrats, in Singapore from the quality and effectiveness of the public service, and in Hong Kong from the rule of law.

The inevitable brevity of the studies ensures that they barely scratch the surface of many of the issues under consideration. And, like most work written before 1997, some of the judgements now appear questionable in light of the recent financial crises. For instance, arguments that the 'depth of its capital markets' has facilitated Korea's development, and that corruption in Korea was more akin to the purchase of protection than the purchase of favours, appear more than a little hollow with the perfect hindsight we now enjoy.

Much more satisfactory is the author's concluding chapter, which attempts to move

beyond some of the simple dichotomies found in so much of the literature on East Asian development: democratic versus authoritarian forms of government, state versus market, and so on. Root argues persuasively that good economic performance in Asia, either in terms of overall growth or equity, has not been associated with any particular regime type.

Democracies have not performed well. The Philippines, like India, has a relatively mediocre record of growth by Asian standards. Periodic elections in themselves have been insufficient to ensure good performance or the institutionalisation of systems of public administration that are accountable to the public. As Root notes, participatory development, if it is to be successful, has to extend beyond the popular election of officials to ensure accountability for the design and implementation of economic policies. The current emphasis by donors on democratisation runs the risk that nothing more than a thin democratic façade will be grafted on to patrimonial systems that are otherwise left largely unchanged—a problem recognised by the World Bank but not, it seems, by all bilateral donors. The introduction of popular elections may lead to an increase in corruption, as appears to have occurred in Korea and Taiwan.

If democracy in itself is no guarantee of good governance and economic performance, neither of course are authoritarian governments. Some Asian authoritarian regimes have been successful, Root argues, in promoting development. Their success stems from a combination of factors: exogenous circumstances that have provided strong incentives for regimes to pursue policies that promote equitably driven growth; bureaucracies that have been appointed and promoted on the basis of merit rather than on political criteria; institutions that have created predictability about the enforcement of contracts; and channels for effective policy dialogue

between the state and other key actors, especially business.

This list of factors that contribute to good governance contains no great surprises nor magical formulae to guide movement from an unsatisfactory to a more desirable political system. It does provide, however, an initial checklist that moves us beyond a strong state/weak state dichotomy. While issues such as the relationship between corruption and development, and corruption and democracy require substantially deeper study, Root's book provides a useful start in addressing a particularly complex set of questions.

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Sustainable Tourism in Islands & Small States: issues and policies

L. Briguglio, B. Archer, J. Jafari and G. Wall (eds) Pinter, A Cassell Imprint, New York 1996, i-xiii + 226 pp.

Sustainable Tourism in Islands & Small States: case studies

L. Briguglio, R. Butler, D. Harrison and W.L. Filho (eds) Pinter, A Cassell Imprint, New York 1996, i-xiv + 317 pp.

In November 1993 a conference was held at the Foundation for International Studies, Malta, on the theme of Sustainable Tourism in Islands and Small States. The papers presented at this conference have been collected in a two volume book. The first volume concentrates on issues and policies while the second comprises a number of case studies.

An underlying premise of each of the 14 articles comprising the first volume is that sustainable tourism must be

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considered from the perspective of several disciplines including economics, sociology, anthropology, ecology, geography and so on. Five issues emerge: economics, alternative tourism, definition of sustainability, monitoring and control and climatic change.

The Bruntland Commission report *Our Common Future* (1987) defined 'sustainable development' as 'a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development and institutional change are made consistent with future as well as present needs', and as 'meeting the needs of the present without compromising the ability of future generations to meet their own needs'. Sustainable tourism can be defined in many ways, and Stabler and Goodall claim that over 300 definitions exist. Four dimensions of the concept of 'sustainability' seem to be common to most definitions: economic, social, cultural and environmental. It is these different elements of the concept that make the study of sustainable tourism an essentially interdisciplinary research activity. However not all disciplines are considered to be pulling their weight.

Economists are accused of contributing little to the debate on sustainable tourism. Archer, in presenting the economist's viewpoint, is sympathetic to the difficulties faced by economists in evaluating the environmental and sociocultural impacts of tourism development. On the other hand he recognises that economists tend to favour growth and certain concepts, such as 'people-centred' tourism development, may only redirect the interests of economists if they have practical benefits. Archer emphasises that there is a need to take a more holistic view of the effects of tourism and that economists must realise this. Archer, following de Kadt, endorses the concept of 'alternative development' which is ecologically sound, gives preference where possible to small-scale production, recognises citizens' other

needs as well as material consumption, including those of future generations and gives adequate weighting and political power to local self-reliant communities. This is simply to recognise that which is broadly accepted—the short-term economic gains from tourism need to be weighed against the longer term sociocultural and environmental impacts. Guthunz and von Krosigk, in a study of tourism in Tonga, Maldives, Seychelles and Martinique, argue that excessive reliance on tourism can lead to a development mirage which is not sustainable in the long run without external financial injection and a publicly subsidised infrastructure.

The problems of mass tourism are well documented throughout both volumes. Davies argues that these problems can be tackled through institutional controls, and the creation of markets in externalities and public goods. Although he advances what he considers to be an 'operational model', his arguments seldom extend beyond the traditional criticisms of cost-benefit analysis as a policy evaluation tool.

A number of papers deal with the concept of carrying capacity with discussions of physical, perceptual and economic limits. Johnson and Thomas claim that defining capacity in terms of physical limits has no real substance and that economic concepts are more meaningful in this regard. They quote the *Economist*—'the destruction of natural habitats is sad but not nearly as sad as being unemployed'—and argue that economic definitions of capacity avoid misleading oversimplifications. They suggest a method that has some practical possibilities, namely social optimal visitor flow (SOVF) whereby an area could be said to be overfull if total net social benefits have passed a maximum. The authors admit, however, that defining SOVF is problematic due to difficulties associated with measuring net benefits and deciding whose social benefits are being estimated.

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Stabler and Goodall focus on the need to set standards and monitor the extent to which institutions and individuals abide by the standards for sustainable tourism. They emphasise the importance of environmental auditing as a tool for minimising negative effects. Mihalic, in an article on ecological labelling, argues that the tourist has the right to receive complete information on the tourism product.

In the final paper dealing with the tourism impacts of climatic change, Wall argues that the greenhouse effect and ozone depletion may have two impacts which will adversely affect the tourism performance of many islands. The first is the disastrous effect on beaches and tourism infrastructure in many islands tourism destinations, and the second is an indirect one, resulting from the change in the attitudes of tourists, who may become more health conscious, and less ready to expose themselves to ultraviolet radiation. This will have a large impact on the sustainability of tourism on small islands.

The companion volume includes case studies of Shetland Islands, Zanzibar, Sri Lanka, Guadeloupe and Martinique, Barbados and St. Lucia, Dominica, Malta, Mallorca and Mykonos. These destinations in general tend to rely for prosperity on the export of a narrow range of products, are minor players on the world stage and have some basis for marketing their natural resources and encouraging tourism to underpin the development effort.

The case studies raise numerous issues and help to set the agenda for future research. At a general level they provide an overview of tourism's environmental impacts and suggest ways that they might be reduced. A number of conclusions can be drawn from the case studies.

First, there is a need to distinguish physical, social, economic and cultural sustainability and to develop conceptually adequate and useful frameworks for comparative analyses of

tourism in different societies at different times.

Second, it must be recognised that trade-offs occur across categories. For example, economic benefits may have environmental costs and vice versa. The message of many case studies is that government involvement is crucial, if only to set constraints on the market.

Third, successful state intervention can only occur with the cooperation or, at least acquiescence, of local communities. Unless there is strong support for local solutions to local problems, higher levels of government are unlikely to be sympathetic to, or supportive of, policy changes.

Fourth, local communities may often focus less on the damage being done to their physical and sociocultural environments than on the perceived economic advantages of tourism. Research on sustainable tourism should therefore include study of conflicting perceptions and differing time horizons of stakeholders. One important issue is the role of the 'expert' and the extent to which policies for sustainable tourism should be 'top down' rather than 'bottom up'.

Fifth, it must be recognised that the problems addressed in the cases are not unique to small states and islands. However, such states are often very dependent on tourism's potential as a foreign exchange earner and often tend to neglect non-economic impacts of tourism development.

The two volumes make a useful contribution to our understanding of the principles and practice of sustainable tourism, and the special problems faced by islands and small states. This said, it seems fair to say that the real value of the papers is to be found more in the issues for further research which they identify, than in the conclusions drawn.

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Environment and Development in the Pacific Islands

Ben Burt and Christian Clerk (eds), National Centre for Development Studies, The Australian National University, Canberra and University of Papua New Guinea Press, ISBN 0 7315 2351 2, 1997, 299pp.

Sustainable development recognises the importance of integrating economic development with the maintenance of ecological systems, the reduction of social and economic inequity, and the support of indigenous cultures through participatory processes. In the Pacific, the desire to achieve sustainable development has been expressed since the early 1970s under the banner of the 'Pacific Way'—a loose concept, but one which is compatible with sustainable development ideals. The Pacific perspective on environment and development reflects a desire to progress economically while maintaining the strong links between people and their environment through the encouragement of local participation in resource management, the support of customary resource tenure, and the protection of fragile island ecosystems.

Environment and Development in the Pacific Islands takes these lofty concepts and explores what they mean in practice, given the increasing external pressures on Pacific countries to become part of the global economy. It provides an excellent overview of many of the issues confronting the dominant sectors in the Pacific, such as forestry, mining, fisheries, agriculture and tourism. The structure of the book highlights the complexities of the issues by occasionally including short commentaries by people with differing opinions to those in key papers. The commentaries are a highlight of the book—it is just a shame that they are included erratically.

The book consists of a collection of 18 essays by authors who all have

considerable experience in the Pacific, some are Pacific islanders. Its scope is broad, covering a number of issues relevant to sustainable development, including resource exploitation, power relations, public policy, international trade and customary resource tenure. The aim of the book is to 'promote Europe–Pacific islands relationships in support of environmentally appropriate human development' and to examine the ways in which the Pacific links with the wider world. It covers material relevant to the latter aim well, however the constructive role of Europe in supporting human development in the Pacific is much more ambiguous throughout the book. The publication is a product of a 1995 conference organised by the Pacific Islands Society of the United Kingdom and Ireland (PISUKI) and the United Kingdom Foundation for the South Pacific (UKFSP).

The first chapters deal with how the Pacific island nations have tried to achieve sustainable development and the barriers which have been encountered. The tensions between the Western vision of development and that of Pacific islanders are highlighted throughout the book. In the opening chapters, the authors address the difficulties in attaining sustainable development given conflicting development values, policies, plans and projects which are a product of different internal visions of the nature of progress, and of external pressures to be part of a process of economic development which largely disregards social and environmental impacts, or externalities. Nearly all the papers conclude with a section on how Pacific islanders can more effectively move toward sustainable development.

Critical reflections on how Western countries and international organisations could contribute to efforts to achieve sustainable development given emerging Pacific concerns about environmental and cultural priorities are not addressed

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consistently, nor thoroughly. For example, how could government aid and investment programs be restructured to address the social and environmental concerns of the Pacific? How should the transition to lower levels of aid (a current trend) be structured to help increase self reliance and indigenous economic activity? And, importantly, what role do international organisations have in overcoming the 'Pacific paradox', that is, the poor response of Pacific nations to high levels of external investment through generous aid programs? To the authors' credit, these and a number of other issues are raised briefly, but none are considered in any depth in the context of the European–Pacific relationship.

In the chapters on fisheries, agriculture, tourism and health, useful insights are presented concerning the internal dynamics of resource management in the Pacific. The strong desire for greater control over resources through the development of indigenous models of resource management is consistently emphasised. Some inspiring examples of small-scale success stories are presented from the fisheries and forestry sectors. These successes, however, are put into perspective by the implications of the paper concerning trends in land use development which reflect a shift from local to regional and finally global needs and values which drive resource exploitation. These observations raise the question of whether the decentralised 'Pacific Way', with its emphasis on localised resource management and participatory structures, will be able to withstand external pressures and globalisation.

The last chapters attempt to respond to this question through the strong endorsement of regional cooperation and of administrative frameworks which support localised management structures. The South Pacific Region Environment Programme (SPREP) is described, however more attention could have been given to a

critical assessment of its role in the future (for example, as a facilitator of regional and international agreements beneficial to the Pacific, as an information clearinghouse, and as a central node in a Pacific network).

Globalisation is recognised as a key issue confronting the Pacific, but less is said about how environment pressures resulting from foreign exploitation of fisheries, forests, and other resources can be better managed; and, how the practices of foreign investors can be better regulated to address practices such as transfer pricing which increases social inequities. Surely there is a role for the OECD and other organisations of developed nations? Non-government organisations are praised for their small-scale approach, but how can the Pacific and their European colleagues increase non-government organisations' involvement in the development process without affecting their grassroots approach? Perhaps this is best answered by the practitioners themselves, and for anyone wanting to follow up, a very useful list of Pacific island links is provided. What is not provided is an index to help the interested reader take advantage of the wealth of information contained in the collection.

Like any good book, this one provides some excellent insights and also provokes critical thought about the issues. The issues are complex, and it was an ambitious project to cover so wide a scope. The chapters and commentaries present an interesting dialogue between Pacific islanders and 'outsiders', but fail to critically assess the productive role of outsiders in human development in the Pacific. The dialogue between authors highlights the difficulties in achieving a common ground with respect to the definition of sustainable development and the appropriate pathway for its achievement. Regardless, this publication is well worth reading for anyone interested in sustainable development issues in the

Pacific, or more generally on processes affecting sustainable and human development.

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Tourism, ethnicity and the state in Asian and Pacific societies

Michel Picard and Robert E. Wood (eds)
University of Hawai'i Press, Honolulu, 1997,
ISBN 0 8248 1911 X, 272pp

The economic benefits of a tourist industry are unquestionable. The arrival of international tourists brings foreign exchange earnings that distribute across a wide cross-section of the community. Chapter 1 begins

tourism is the world's largest industry. The travel and tourism industry is the largest employer in the world and is expected to account for more export earnings than any other industry by the turn of the century' (p.1).

What is brought into question is the social impact of tourism. Tourism has often been accused of over-running local cultures and traditions in pursuance of economic gain. The Mediterranean provides classic examples of this—people from northern Europe swarm to soak in the beautiful settings of the Greek islands and parts of coastal Spain. They are now more like misplaced enclaves of Britain or Germany and one must search hard for remnants of local culture in Ibiza, Benidorm, Corfu or Rhodes. Northern European culture has completely overwhelmed these destinations.

But it is not necessarily the case that local culture will be over-run by tourism. Culture itself can be a tourist attraction. Tourists are most drawn to a cultural experience, and so culture and ethnicity

become part of the package promoted to tourists. The question then is whether to view this in a positive light.

To the degree that most scholars of ethnicity have paid any attention to tourism, it has usually been in the form of exposing and condemning the 'bastardization' and 'commoditization' of previously authentic cultures for the purpose of touristic display (p.2).

Contrary to this, 'ethnic tourism' (tourism attracted to culture) may act to preserve culture and traditions.

The focus of this book is to explore the relationship between tourism and culture in the Asia Pacific region, taking account of the role of the state. The book is organised into an introductory chapter followed by seven case studies that grew out of the session *Tourism, the State, and Ethnicity* at the World Congress of Sociology in Bielefeld, in 1994. To some extent, the title is misleading because there is only one case study of the Pacific region.

The first chapter by Wood gives an overview of the development of the literature on tourism, ethnicity and the state. This chapter focuses the issues addressed by the applied studies of the following chapters, including the implications for culture of tourism, the ethnic division and conflict that can arise out of tourism, and the role of the state in these issues and in preserving and identifying culture in conjunction with the fostering of ethnic tourism.

The case studies begin in Chapter 2 with a look at the effects of tourism for those in two ethnic villages of Guizhou province in China's southwest. Important in this chapter is the discussion of the state's struggle to promote and preserve culture against its new open-door policy. The Chinese government has identified 55 ethnic groups in China and pursues a policy of preserving the cultures of its ethnic minorities. In the surveyed region,

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ethnic tourism is quickly being recognised as being more lucrative and more successful than scenic tourism—that is, tourists are attracted more to the cultural experience than the sightseeing. The villages of the case studies, Gaozeng and Zhaoxing, are used to highlight how preservation of culture can be linked to tourism and the state in a positive way. Gaozeng was originally officially sanctioned as an authentic village for preserving and promoting tourism—but it was nearly destroyed by a fire in 1988. With the destruction of some of the village's cultural relics, it became de-sanctioned because it had lost its authenticity

...tourism had given village leaders a way to embrace modernity without losing their traditions, a way to ensure that Zhaoxing remained authentically Dong (p.65).

Chapter 3 is more interesting for its fascinating discussion of the modern social history of Singapore than the inter-relationships of tourism and ethnicity. The modernisation of Singapore has bulldozed most cultural attractions and sanitised the city-state. But ethnic diversity is still highlighted as a tourist attraction and the remnants of traditional culture are preserved under the demand of ethnic tourism. 'Tourism in particular harnesses ethnicity as a resource to generate income and foreign exchange' (p.72). An important theme in the chapter is that the state very much manages ethnicity and classifies people across only four groups—Chinese, Malay, Indian and other—despite the rich diversity of subcultures. These subcultures are overlooked by the state as a means of promoting ethnic tourism.

Chapter 4 departs in its approach from the other case studies. In particular, the author describes the drive to preserve a cultural and historical heritage in Georgetown, Malaysia, made under the false auspices of the desire to attract ethnic

tourism. Kahn continues on the not too surprising argument that there are other motivations besides tourist earnings in the state's drive to preserve its heritage: in particular it is argued that the community is motivated by a desire to improve their urban environment, and in conjunction with this is the greater appeal for skilled labour and multinational corporations of an improved urban environment

...it may be that tourist promotion is being used as a cover or a rationalisation for a more general project of culture-building that in origin has very little to do with the tourist industry (p.111).

An interesting issue with regard the strong attraction of tourists to the northern highlands of Thailand is that whereas the attraction is to the tribal culture and lifestyles, the state overlooks the local ethnic minorities as a chance to promote ethnic tourism. Ethnic tourism occurs in the highlands despite the state not acknowledging it. The author presents particularly interesting insights into the impact of trekking on the local tribal communities, making for enjoyable reading. The growth of ethnic tourism to the authentic Ban Suay village has imposed little on their culture because the villagers have resisted change. After recognising the threat to their traditions and social fabric, the more prominent villagers broke their ties with tourism. This left those who were poor and marginalised due to their addiction to opium to take up the opportunity to take over as hosts to tourists.

The next chapter is a case study from Sulawesi in Indonesia. With over 300 ethnic groups the Indonesian state is confronted with a constant challenge to develop a sense of national unity and consciousness. The author suggests '...one way the Indonesian government strives to instill a broader sense of national unity is by championing tourism' (p.156). This extends to the promotion and sanctioning

of domestic tourism as a means of developing national pride. But for the Torajans in the highlands of South Sulawesi and the Buginese-Makassarese in the coastal areas, the success of the Trojan attraction for ethnic tourism has ignited jealousies and only acted to fuel old ethnic tensions. This is a particularly entertaining chapter and brings clear analysis of the positive and negative influences tourism has had on ethnic tensions, nationalism and cultural development in South Sulawesi.

The next chapter turns to nearby Bali. There tourism has been taken as an avenue to nurture the cultural identity of the Balinese rather than as a bulldozer to clear out ethnicity as has happened in parts of Greece and Spain. The promotion of tourism to Bali has been based on a cultural experience. To this end cultural art has gained new status, but other influences, particularly from the state, have eroded other aspects of culture and ethnicity, particularly religion. The point of this chapter seems to be to follow how tourism and the actions of the state have caused Balinese culture to evolve.

The final chapter directs its attention to Hawaii and Samoa, with some very interesting discussion of Samoan conservatism and resistance to tourism. It is promised in this chapter to explore '...the relationship between state-promoted tourism and local perceptions of cultural identity...' (p.215) but it is sometimes hard to follow this theme. Most attention is given to 'identity merchandise', particularly t-shirts identifying with Hawaii.

Perhaps disappointing in this book is that while there is a lot of description of cultural development and the roles of the state and of tourism, only some parts of the book deliver an objective discussion or analysis on the positive and negative influences of tourism for ethnicity and culture. With tourism developing into an enormous international industry, and with developing countries looking at tourism as

an avenue for economic development, a strong debate of the social implications of tourism and a critique of state policy towards a tourist industry is very much needed.

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Economic Survey of Papua New Guinea, 1997

International Development Issues No. 46,
AusAID, ISSN 0818 4815

Economic Survey of Papua New Guinea provides an assessment of recent developments in economic policies, economic growth and developments trends, sectoral development and the constraints to development in Papua New Guinea.

The survey is well organised and presented, and touches on the topical issues that have been, and are still, of concern. It begins with a summary of the main issues, findings and recommendations followed by eight chapters. The first reviews the socioeconomic background. The following six chapters discuss the topical issues of economic concern, and the last chapter focuses on development constraints and prospects. Each chapter deals with a specific issue, raising major concerns and providing suggestions, facilitating the reader's understanding. Furthermore, there are sections that provide concise details and analysis which complement the issues that are discussed. Finally, the appendix is a very useful source of data. It is always expensive and difficult to access quality data in a developing country, and Papua New Guinea is no exception. This database is a welcome inclusion.

The crucial issues dealt with in each chapter have direct policy relevance in Papua New Guinea and the analysis and

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recommendations provided are useful for policy formulation and implementation.

Chapter 1 presents a comprehensive socioeconomic background of Papua New Guinea, discussing the state of development, foreign aid, social indicators, education, women in development, law and order, Bougainville, sustainable development, and environment and conservation issues. However, the linkages between these issues could have been further expounded on. For example, economic growth in the early 1990s has been predominantly in the exploitation of natural resources, especially mining, petroleum and logging. This has promoted a dualistic economic structure and income disparities.

There is also the issue of whether there is any relationship between the law and order problem and the dualistic economic structure and income disparities—this has not been investigated. If such a relationship does exist, the strategies that are required include promotion of the informal sector; increased expenditure on health, education and infrastructure; effective control of public debt; proper utilisation of concessional aid funds; and the development of an efficient mechanism to utilise the revenue generated by the resources sector productively.

Chapter 2 presents a good review of the macroeconomic situation and developments that prevailed during the first half of the 1990s. Much has happened since then in terms of international trade and payments, debt servicing, and exchange rates and as a result of the El Niño weather patterns and the East Asian financial crisis. Only two points need to be highlighted. First is the significant role that the mining sector and the government have played in influencing the balance of payments on capital account. This raises important points about irresponsible government decisions that have contributed to the balance of payment problem and overall macroeconomic instability, and the mixed

blessings that result from direct foreign investment in industries such as mining and petroleum in developing countries. Second, even with the lack of reliable and appropriate data on employment, output and sources of imports, the chapter discusses and presents a useful analysis. However, care must be taken when prescribing policy decisions, as unreliable data could result in wrong policy conclusions.

Chapter 3 provides a review and analysis of macroeconomic policies focusing on the national budget frameworks for the 1996 and 1997 Budgets, achievement of fiscal policy objectives, taxation issues, monetary, exchange rate and wages policies. It reveals that the Papua New Guinea's 1994 financial crisis was self-inflicted. This point could perhaps have been expanded further to ensure that the Papua New Guinea Government understands the message. The continued under-utilisation of the development budget (investment), and the ambiguous use of funds from the Mineral Resources Stabilisation Fund (MRSF) are important issues. Proper cost-benefit analysis should be used to develop projects, guide the utilisation of the Fund and implementation of the development budget. The lack of proper data is an important constraint that hinders analysis of the relationships between important macroeconomic variables. Policies are currently being proposed, recommended and implemented without proper analysis. In that respect consultancy reports should be circulated for comment and analysis.

Chapter 4 discusses the performance of various sectors of the economy. A thorough and detailed analysis has been provided with respect to the constraints and performance of the key economic sectors: agriculture, forestry, fisheries, minerals petroleum, manufacturing, tourism; road, air and sea transport; telecommunications; electricity and water supply and sanitation.

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Economic growth during the early 1990s was led by the export-oriented primary sector. Countries that depend too much on primary exports are vulnerable to external and internal instabilities and variability in commodity prices is the key source of such instability. A strong emphasis in this chapter on cost-benefit analysis as an instrument for assessing project viability and decisions is commendable. The challenges facing the government include reduction of the high input-cost problem, maintenance of existing infrastructure, designing infrastructure with an emphasis on its long-term sustainability and ensuring proper coordination among line agencies. Tourism potential is an alternative source of achieving economic growth and development. Finally, before recommending privatisation and corporatisation to the government, it is important to establish that this will lead to a reduction in the input cost. Given the structure of the PNG economy, there is a possibility that monopolistic and oligopolistic markets could emerge, at a high social cost.

Chapter 5 analyses the structural adjustment program led by the World Bank and the International Monetary Fund following the 1994 financial crisis. Short-term macroeconomic stability was achieved but its long-term sustainability is dependent on prudent fiscal and monetary policy management. Furthermore, structural changes have not been fully implemented. Therefore, the effects of these changes are yet to be, or may never be realised. Although the discussion focuses on the taxation system, the financial sector and improvement in government efficiency it did not review the progress on implementation of the structural adjustment program. Papua New Guinea is often quick to accept new ideas and recommendations, but has a very poor record in implementation. However, the reasons behind the proposed reforms, the expected outcomes, and the possible obstacles are adequately covered.

Chapter 6 focuses on the Medium-Term Development Strategy (MTDS). A good attempt has been made to trace the roles and responsibilities of the National Planning Office, and the focus and role of the MTDS. Through the MTDS, the National Planning Office was expected to coordinate investment programs in priority areas and link them with other objectives. Unfortunately, the National Planning Office has now been downgraded to an office within the department of Treasury and Corporate Affairs, casting doubt on the implementation of the MTDS.

Chapter 7 addresses reforms in provincial and local-level governments. It discusses issues related to the main provisions of the 1995 Organic Law, funding of provincial and local governments, the administrative structure of provinces and districts, the national monitoring authority, the implementation of the reforms, and provincial concerns about implementation. Many weaknesses still exist in the Organic Law and amendments are still being made. Implementation has been delayed because of the lack of infrastructure at the district level and lack of skilled staff at every level of government. Successful implementation depends on the availability and capability of appropriate personnel, and on responsibility and consistent leadership by elected Members of Parliament. In reality, there is too much political maneuvering over the appointment of provincial and district administrators, and a lack of cooperation between treasurers, administrators and line departments. Committee meetings at the highest level have not been held. This ultimately implies that the objectives of the reforms may never be realised.

Chapter 8 discusses the constraints and prospects for development. It is true that the future prospects for Papua New Guinea lie in the availability of markets for output of export industries and the

implementation of government policies affecting the ways in which domestic markets are developed and human and physical resources are used (p.142).

If the key constraints—including the low incomes of smallholders in agriculture, shortage of skills, law and order, the role of women, and cost of public utilities and infrastructure—are addressed, then the outward-looking policies promoted under the structural adjustment program and membership of international trade organisations would help to develop, promote and achieve economic growth and development which is sustainable in the long term. On the other hand, export-oriented policies where exporting is dominated by primary commodities will not bring about economic growth and development. As suggested, the government must be able to maintain fiscal discipline and pursue responsible monetary and wages policies, efficiently utilise donor funds and concessionary loans, and be able to be adaptable to external changes.

Economic Survey of Papua New Guinea touches on the crucial issues of the 1990s, critically analyses them, and presents suggestions and recommendations. In the absence of appropriate and reliable data greater efforts have been put into the analysis of policy issues. The lack of reliable data raises many questions in relation to policy analysis, effective judgement, and planning, and inhibits the presentation of realistic social indicators and an understanding of the relationship between macroeconomic variables. The data problem is an important issue which has been overlooked in Papua New Guinea, and this publication also takes that for granted. The danger is that this could lead to the presentation of wrong images or wrong policy recommendations.

Papua New Guinea is the land of the unexpected, and it is not surprising that this slogan is a reality of life in Papua New

Guinea, and even applies to economic policy, growth and development trends. Most sectoral policy issues discussed in the survey have already changed. The office responsible for implementation of the MTDS, the National Planning Office, has been downgraded, and downgrading of the Department of Environment and Conservation is being considered. The future of the MRSF and the Mineral Resource Development Company is also being discussed. New taxes, such as the fly-in fly-out tax, have been introduced. Implementation of some of the elements of the structural adjustment program have been delayed indefinitely. This should serve as a warning to visiting researchers and consultants that what appears in official government documents is often contrary to reality. The truth is that implementation will continue to be a problem.

The survey will be of great value to applied researchers, academics, investors and bureaucrats (in Papua New Guinea) and others interested in the social, political and economic development trends and issues in Papua New Guinea.

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The Political Economy of Forest Management in Papua New Guinea

Colin Filer (ed.), NRI Monograph 32,
National Research Institute, Boroko, and
International Institute for Environment and
Development, London, 1997, ISBN 9980 75
089 8, 526pp

The Political Economy of Forest Management in Papua New Guinea was prepared with the support of a comparative research project—Policy that Works for People and Forests—developed by the International

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Institute for Environment and Development (IIED). The IIED project had an ambitious goal

to improve understanding of and practice of policy processes, so that they improve the sustainability of forest management and optimise stakeholders benefits (p.1).

This edited volume is an important and welcome contribution to a better understanding of the political economy of forest management in Papua New Guinea. However, its direct influence on policy processes, on the improvement of forest management, and on the optimisation of benefits to the stakeholders will be extremely limited. This is mainly because these objectives are very ambitious, and partly because of some shortcomings of the book itself.

The book comprises three parts: the local politics of large-scale logging projects, national and regional perspectives on the forest industry, and conservation and sustainable development in practice.

Part One is the most original contribution that the volume provides to the debate on forest management in Papua New Guinea. The eight chapters provide a detailed description of forestry projects in different areas of the country (West New Britain: Simpson; New Ireland: Cook; East Sepik: Leedom; Western Province: Wood; Madang: Sagir, and Montagu; Morobe: Nen; and Milne Bay: Damon).

These chapters describe the relationships between local people, logging companies, the government and aid workers. They encapsulate well the attitudes, views and perceived needs of the many Papua New Guineans who are involved in logging activities. The first chapter, 'Get what you can while you can: the landowner-government relationship in West New Britain', exemplifies how many Papua New Guineans see forestry activities: a way of accessing development benefits. They see that their forests are

valuable resources and want to benefit from their use; thus, they engage in forestry activities. Many promises are certainly broken and the outcomes of forest exploitation are not always positive for all the stakeholders involved, as stressed by several of these chapters. However, many landowners do benefit from logging activities and continue to be willingly involved in forestry operations.

The realisation that many local people want to be involved in forestry activities contrasts sharply with the view (often advanced by representatives of environmental and local non-government organisations) that they are victims of the activities of logging companies and demands of overseas markets. The recognition of the role of local people in the exploitation of forest resources is an important first step towards the development of mechanisms supporting the sustainable management of forest ecosystems.

Part Two includes five chapters that deal with a range of different issues. They include a statistical profile of the logging industry (Filer), the role of the state and the landowners in forest management (Taylor), a discussion of issues concerning community-based forestry (Martin), the politics of timber consumption in Japan (Light), and economic aspects of sustainable development in Papua New Guinea (Millett). These chapters are mainly review papers, which present useful information but limited original analysis, with the exception of those by Taylor and Light.

Light provides statistical information describing Japan's role as the major international importer of tropical timbers, and outlines some of the campaigns undertaken by environmental organisations promoting a reduction in the import of tropical timbers. The view is that a reduction in the import of tropical timbers would decrease deforestation rates. However, this argument does not account for the fact that a large share of tropical

forests are cleared or degraded with the aim of changing land use and that countries such as Brazil and Indonesia consume a large share of the timber they harvest. Over the long term, the development of trading schemes, such as certification of sustainably harvested timber, will provide greater opportunities for sustainable forest management than boycotts of timber imports.

Taylor argues that the role of the state in forest management should change from that of a regulator to that of a stakeholder. This would involve abandoning nationwide land use zoning, statements of provincial allowable cuts, and inflexible statutory controls over distribution and investment of landowners' royalties—the state would be involved in forest management on a piecemeal basis, negotiating with the landowners and companies on a project by project basis. I agree that the state should adopt a less paternalistic approach regarding the use of landowners' revenues, however, the adoption of the other suggestions made by Taylor would constitute a step backwards in forest management in Papua New Guinea. To progress sustainable forest management, the state needs to act both as a regulator and as a stakeholder, and it cannot withdraw from attempting to provide a national level framework for the allocation of land to different land uses.

Part Three includes chapters on biophysical aspects of forest management (Louman), environmental law (Whimp), community-based resource management (Holzknecht), integrated conservation and development (Johnson), economics of forest conservation (Sekhran), and conservation management in Irian Jaya (Leedom).

The individual chapters are interesting and informative, however this part of the book is disappointing. While the title promises to discuss 'conservation and sustainable development in practice', little discussion is actually presented of the

several conservation approaches and initiatives that are taking place in Papua New Guinea, with the exception of Johnson's contribution (which is one of the more interesting in the book) and Leedom's review of activities across the border in Irian Jaya.

Overall, the book presents interesting and useful contributions to the debate on forest management in Papua New Guinea. It provides a clear picture of the problems that need to be overcome to move towards sustainable forest management but much more work is required to devise ways to overcome these problems.

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Challenging the State: the Sandline affair in Papua New Guinea

S. Dinnen, R. May and A.J. Regan (eds)
Pacific Policy Paper 30, National Centre for Development Studies; Regime Change/Regime Management Paper No. 21, Department of Political and Social Change RSPAS, The Australian National University, Canberra, 1997, ISBN 0 7315 2366 0.

The contributors to *Challenging the State* mention various limitations to the discussion on the Sandline affair. They state that most of the papers for the book originated from a seminar organised to discuss the affair that became public when Brigadier-General Jerry Singirok, the Commander of the Papua New Guinea Defence Force (PNGDF) terminated the Sandline contract on 17 April 1997. These papers constitute about half (excluding the introductory chapter, the chronology of significant events and the appendix) of the contents of the book. The chronology of significant events is useful but 'dry' and lacks the linkages and connections that form the whole story and of how each issue

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developed its own *persona* and importance. While 30 August 1994 is selected as the pivotal point of reference for the Sandline affair, the fact that events continued to unfold makes the chronology incomplete. The chronology would have been better placed along with Project Contravene, the Sandline contract and others in the appendix.

The contributors also state that the book is not intended as a full examination of the events of March–June 1997 but reflections to be supplemented by other examinations. Hopefully, this would include an examination of Operation Rausim Kwik and the mutiny by members of the PNGDF's Special Forces Unit who placed the present Commander Leo Nua and another senior officer under house arrest (Operation Klinim Ples), the finding of the second Commission of Inquiry, the impact on Sandline on the national elections including the formation of government and the abandoned Defence Force General Board of Inquiry and others. Despite these limitations, the articles in the book offer the keen observer new insights and dimensions to the affair. The contribution is a concrete beginning for further analysis.

Regan (Chapter 3) explores and discusses three factors that came to bear on Sir Julius Chan and his government in arriving at the decision to engage Sandline International and how these paradoxically precipitated the present Bougainville peace process. The key factors, according to Regan, are Sir Julius' own personal ambition to be the Prime Minister who solved the Bougainville conflict before the 1997 national election, the arrogant and ignorantly designed Sandline proposal, and the responses of the public to the contract. Sandline International cleverly and deceptively used the 1997 national election as a ploy to market its commercial military expertise. Regan aptly describes the marketing and irresistible salesmanship of Sandline International including

the company's disingenuous allegation of conspiracy by Papua New Guinea's neighbours.

Regan's second contribution (Chapter 5) examines the characteristics of the state institutions and the interrelated economic and political forces within which policy decisions are made in Papua New Guinea, to shed some light on the Sandline decision. He argues that these forces do not enable society, civil society and political parties to exert pressure significantly to allow for responsiveness and accountability for government policy. In such a policy environment, policymakers more often than not, fall prey to powerful economic interests while trying to serve their own private interests by extracting as much benefit as they possibly can from the state. The policy environment is further weakened through the politicisation of the civil service whereby over the years the capacity of the civil servants to offer independent and quality advice has also deteriorated. Equally weak and ineffective are the political parties, which lack constructive and strong linkages to society. Moreover, the effectiveness of the judiciary and Ombudsman Commission in ensuring accountability has been seriously undermined through the lack of resources. It is not surprising that blatant access to the state's resources by policymakers to maintain themselves in power often leads to corruption and abuse of office, which sadly is often ignored. There is little reprieve for the citizens when civil society remains 'weak and unfocused' to offer any capacity to affect state action.

But does that require the continuous intervention of the military in the political affairs of the state in Melanesia? Kabutaulaka (Chapter 10) briefly profiles the increasing role of the military in Melanesian states and their justifications, which are universally akin to excuses often used by coup-stagers elsewhere. May's contribution (Chapter 7) briefly documents the declining military status of the PNGDF

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that led up to the Sandline affair, including the relationship between the government and the army. Without doubt the role of the military in the political landscape of Melanesia has been changed significantly by these events.

Standish's (Chapter 4) contribution basically asks the question, was Singirok's action a *de facto* coup? He explores this question by analysing the actions and roles played by the PNGDF, the police, non-government organisations, politicians and the public during the most volatile period of the country's political history. Standish concludes that the PNGDF did not stage a coup but rather had exerted tremendous pressure on the key ministers in government. He reveals the frightening reality of the weak state that Papua New Guinea is, but which paradoxically saved the regime. And if Sandline was such an important political development in Papua New Guinea that erupted a few months prior the national election, did Sandline significantly affect the decisions of voters? Nelson (Chapter 11) subtly shows that Sandline may have failed to play any significant role in affecting the decision of voters.

Dinnen (Chapter 9) writes about the rise of private military contractors after the Cold War that offer a range of sophisticated services to clients, including 'legitimate' governments. He argues that private armies are a global phenomenon occurring often as a result of surplus military personnel that have become available through the downsizing of military establishments in Western countries. Private military contractors are able to undertake assignments that governments cannot, or are unwilling to engage in because of financial or political reasons. This also includes services that international agencies such as the United Nations are reluctant to provide. The increasingly precarious security environment that is found in many parts of the post-Cold War world often stimulates their growth. The frightening reality of

Dinnen's analysis (also discussed by Regan in Chapter 5) is that Papua New Guinea has most of the features that private military contractors find attractive for business. The ability of these corporate armies to reinvent themselves means that Papua New Guinea has not seen the last of commercial firms like Sandline International.

The personal reflections by two Papua New Guinean women (Angela Mandie-Filer, Chapter 6, and Ruth Saovana-Spriggs, a Bougainvillean, Chapter 8) come from two different perspectives. Mandie-Filer recounts her experience in the country while on a break from Australia whereas Saovana-Spriggs looks in from the outside by following the events from the Australian media. The latter examines Sandline by looking briefly at Singirok, Sir Julius Chan and Francis Ona. She heaps praises on Singirok despite her initial misgivings for him, and describes Sir Julius as a politician whose political vision became heavily clouded by political power, greed and glory. She describes Ona as having highly unrealistic military ambitions against Sandline's military technology. We tend to easily forget that despite Sir Julius' hard-liner attitude, his composure of calm and level-headedness in the face of immense political and military pressure deserves admiration—it prevented a duly elected government from disintegrating (see also Standish p.80). Importantly, the Sandline affair exposed in a nutshell the current negative state of management and governance in Papua New Guinea.

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