

Book reviews

The Western Samoan Economy: prospects for recovery and long-term growth
Te'o Ian Fairbairn, AIDAB International Development Issues No.17, Australian International Development Assistance Bureau, Canberra, June 1991, 57pp.

The Solomon Islands Economy: prospects for stabilisation and sustainable growth
PDP Australia Ltd, AIDAB International Development Issues No.21 Australian International Development Assistance Bureau, Canberra, November 1991, 65pp.

The Tongan Economy: setting the stage for accelerated growth
Unisearch, AIDAB International Development Issues No.22, Australian International Development Assistance Bureau, Canberra, June 1991, 53pp.

These three country studies in the AIDAB series on International Development Issues provide valuable compilations of statistical and economic information on the island economies. The commentaries on recent developments and the economic outlook are mainly descriptive and criticism of government policies is carefully diplomatic. Even so, the serious social and economic problems besetting these small, open and aid-dependent economies are explained. In consequence, the reports provide a sound foundation and a useful guide for anyone needing to know about these islands.

Because of their size and their remote locations, the three subject economies are particularly vulnerable to external economic developments and to climate shocks. Solomon Islands (1986) and Western Samoa (1990) suffered severe cyclone damage which has required major reconstruction expenditures. Depressed international prices for exports (coconut products, palm oil and copra, cocoa etc.), have also squeezed export earnings. At the same time imports have been increasing, which has widened deficits on trade in goods and services.

Their narrow production bases make the islands heavily dependent on imports, which are equivalent to 75-95 per cent of gross domestic product. This import dependence has been rising rapidly in the past decade and has been financed by rising levels of migrant remittances and/or financial assistance from major donors and the multilateral agencies.

Economic growth has been slow throughout the past decade, even after allowing for the effects of cyclones and declining export prices. Living standards improved only slightly. More than half the workforce still depends on subsistence agriculture. Formal employment is provided by the primary sector (agriculture, forestry and fishing for exports), services (including tourism) and the government sector. Government employment has grown rapidly, financed by development assistance programs.

The studies indicate that little improvement in economic performance is expected. Indeed, certain worrying features are identified. Fiscal deficits are becoming difficult to contain and increasing domestic liquidity is adding to inflationary pressures, and feeding import

demand. Reliance on external financial assistance appears to be undermining incentives for development in the private sector and preventing new job creation in the formal sector. If unfavourable trends in export volumes and prices continue, the financial dependence of these economies will increase further. The real resource gap represents around 30 per cent of gross domestic product. It has to be met by financial resource inflows.

Financial remittances from overseas workers are expected to stabilize around present values and flows of financial assistance (grants and concessional loans) are likely to remain around present levels. But donors expect to see some progress with development and in the medium term some scaling down of aid should be anticipated. This puts pressure on the island governments to raise domestic savings and to reduce the resources gaps.

Despite recent efforts to achieve macro-economic stabilization, the Pacific Island economies have become more dependent on financial inflows. Major policy changes will be required but these reports do not express confidence that they will occur.

These three studies will help to increase awareness of the needs of the island economies. A study on Fiji will soon be released. Papua New Guinea was covered in an earlier report in the series but an update is in train. Those reports are concise and useful documents that provide valuable and convenient sources for those seeking information that is often not available in major data sources.

David Robertson

Economic Development in a Small Island Economy: a study of the Seychelles Marketing Board
Rory Gabbay and Robin N. Ghosh, University of Western Australia, 1991, 417 pp.

For most Australians living on the eastern seaboard, reference to 'our island neighbours' means the countries of the Pacific Ocean. There are, however, equally important island neighbours to the west—for example, the Maldives, Seychelles, Madagascar, Timor and Christmas Island. To promote an understanding and knowledge of the states of the Indian Ocean, the Islands/Australia Program at the National Centre for Development Studies, Australian National University, offered colleagues at the University of Western Australia's Economics Department a modest

annual grant from its AIDAB research funds. The response has been the establishment of the dynamic Centre for Migration and Development Studies which has sponsored a number of conferences and publications on the Indian Ocean economies.

The first two monographs provide a broad picture of the structure and performance of the economies of individual islands.¹ They contain articles both by residents of the islands and by Australian academics, and present an authoritative and easily digested overview for the general reader.

1 R.T. Appleyard and R.N. Ghosh (eds), *Indian Ocean Islands Development*, Indian Ocean Policy Papers No.1, National Centre for Development Studies, Australian National University and Centre for Migration and Development Studies, University of Western Australia, 1988; and *Economic Planning and Performance in Indian Ocean Islands States*, Indian Ocean Policy Papers No.2, National Centre for Development Studies, Australian National University and Centre for Migration and Development Studies, University of Western Australia, 1990.

For the reader seeking detailed information on specific countries, the Gabbay and Ghosh monograph is an ideal start. While the focus is on the Seychelles Marketing Board, the authors have devoted the first three chapters to demographic, political and general economic issues. For readers from the South Pacific these alone will be of considerable interest. Seychelles shares many of the constraints and advantages of Pacific islands: distance from markets, limited natural resources, a vast exclusive economic zone and great physical beauty, to name but a few. Seychelles began its period of independence from the United Kingdom with a Westminster style government which was replaced by a single party, socialist regime following a coup in 1977 led by Albert René.

The new government, formed by the Seychelles Peoples Progressive Front (SPPF), introduced the concept of development based on a philosophy of state leadership in planning and implementation of economic and social policies. The outcome, after some 15 years, as seen by the authors is '...an attractive and happy nation whose economic well being is shared by the population. This comes at the end of a period that saw the transformation of the nation from a run-down colonial outpost in which poverty was rife' (page 98).

In Chapter 3 the economic transformation since 1977 is described. In the following six chapters, the formation of the Seychelles Marketing Board and its various functional divisions are discussed in detail. The Board began operations in 1984 with a wide range

of monopolistic powers in relation to processing and marketing of local manufactures, together with a monopoly on essential imports. The operations of the Board are conducted through six divisions covering fish, vegetables, meat, food processing, agro-industrial production and trading. The authors, through their contact with authorities in the Seychelles, were given ready access to records and operational policies of all aspects of Board activities, with the result that the reader is almost overwhelmed with detail on the activities of each of the divisions.

This is a very sympathetic and well-documented study of one aspect of the economy of Seychelles, albeit a most crucial and dominant aspect. The operation of a powerful monopoly in a small socialist island state can obviously have negative side effects. The existence of these in the case of the Seychelles Marketing Board is not apparent, perhaps the country has been lucky in the skill level of the Board's managers. This is an experiment in economic reform which has apparently turned out well, but whether the model can be transferred without considerable modification to other island states is a matter for serious conjecture.

The book is well worth reading for ideas and to help in identifying new options for development in other island states. Some of the detailed descriptions of trading operations can be skipped over without detracting from the value of the study.

R.V. Cole