5

BOOK REVIEWS

Financial Institutions and Markets in the South Pacific

Michael T. Skully

London, Macmillan, 1987, xvi+379pp. ISBN 0-333-44441-8.

This study of financial institutions and markets in New Caledonia, Solomon Islands, Tonga, Vanuatu and Western Samoa completes the series of earlier volumes with similar titles covering the Southwest Pacific, Southeast Asia, and the Far East edited, but also partly written by, the author of this volume. Each country chapter follows the same structure (Introduction, Financial Institutions - central bank or other monetary authority, commercial banks, development banks or similar institutions, other financial institutions - Financial Markets, Analysis, and Trends and Predictions) as in the earlier volumes. An impression of the emphasis on each aspect covered may be obtained from the observation that almost 90 per cent of each chapter is devoted to description, less than 10 per cent to analysis, and approximately 5 per cent to prediction.

The strong emphasis on description precludes extended surveys of important recent developments such as a consideration of the fundamental causes of the Western Samoan financial crisis of 1983 and the effects of the IMF inspired stabilization program. Similarly, the role of overseas remittances in Tonga and Western Samoa cannot be examined. They are almost regarded as something that must be replaced by 'more respectable' commodity exports rather than incorporated in the balance of payments as 'normal' sources of overseas income.

Any study such as this must be at least slightly ephemeral. Thus, in discussing the prospects for Vanuatu's Finance Centre it is stated that the country has 'a stable . . . political system'. Similarly, the background description of New Caledonian political developments could not include references to events after March 1986.

It is easy to criticize a formidable piece of work. Skully was faced with a mass of information, much of which is available only on an irregular basis and in miscellaneous and varying forms. He has gathered this and presented it in an organized way. For this, all students of financial developments and structures in the South Pacific must be grateful. This is not an analysis of South Pacific financial policies, it is a reference work and should be welcomed as such.

Macmillans are to be congratulated on reverting to the acceptable practice of presenting data in comprehensible form (thousands, millions, etc.).

Graeme S. Dorrance

Business and Investment Environment in South Pacific
(Fiji, Papua New Guinea, Solomon Islands, Tonga, Vanuatu)

Asian and Pacific Development Centre (APDC) and South Pacific Bureau for Economic Cooperation (SPEC)

Kuala Lumpur, Sun Y Book Company, 1987, vii+284 pp.

This is a dismal document.

It is an excellent review providing information for potential private foreign direct investors, primarily from the ASEAN countries, in the five most populous South Pacific island countries, other than Western Samoa, encouraging them to commit their capital to this area, however it provides much information that will discourage potential investors. Its obviously unfounded optimism should not discourage a realistic assessment of the opportunities. The environment is not as hopeless as a careful reading of this book would lead a perceptive investor to believe.

All of the island governments purport to encourage private direct foreign investment. This survey reproduces or outlines the guiding principles for economic policies in each of these countries. None of these statements gives any hint that foreign private investment is welcome. Some of them specifically exclude foreign investment from their encouragement of private investment. The first of Papua New Guinea's eight aims, for example, directly encourages local control (including localization of employment) and consequently discourages foreign control of the economy. The March 1988 revisions of Papua New Guinea's National Investment and Development Act regulations, that were issued after this study was completed, go even further in restricting foreign investment.

The description of the steps that must be taken and the approvals that must be obtained before a proposal for foreign investment may be submitted to the PNG National Investment Development Authority is an example of the helpful advice offered to prospective investors. Unfortunately, it is so intimidating that it must discourage rather than encourage foreign investment.

Considerable attention is given to the deferrals and depreciation privileges granted to foreign investors. It is now widely recognized that such privileges carry little weight in influencing investment decisions. The privileged access of Forum countries to the minuscule Australian markets under PATCRA and SPARTECA is detailed. Presumably, foreign investors are not interested in world-wide markets. Some may be interested in high cost/high profit exploitation of local markets and be enticed by the description of customs duties that protect domestic production. It is even stated (p.12) that the Fiji government welcomes proposals for the imposition of tariffs on goods produced by new industries. Are these the investors and policies that encourage development? No mention is made of the relative freedom from quota restrictions enjoyed by the South Pacific countries under the Multifibre Arrangement. Clothing output is presently one of the very few expanding sectors in the Fiji economy and is an important element in Tongan exports.

Detailed information is provided on many individual investment opportunities that were available when this study was compiled. This is an example of data that rapidly became obsolete.

Specific lists of the official and private agencies and companies providing investment opportunities in each country are provided.

The omission of Western Samoa from the countries covered is surprising.

At some places, this study is difficult to read because of the multitude of misprints and misused words, indicating that it received only cursory editing.

Graeme S. Dorrance