

Small islands and the economy

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The purpose of this paper is to set out some of the economic challenges facing the small islands of the Pacific, and their social consequences, which are also paralleled in other small islands across the Communion. The paper sets out some options for collective working across the Communion to meet these challenges.

1. Introduction

A key part of our Christian faith is our belief in the unity and oneness of creation and this underpins the mission of the Anglican Alliance to overcome poverty and injustice. . This unity draws in the smallest and most remote islands in the Communion as much with the largest land masses and gives us collective strength. This is a unique the ability of the Communion to bring together large and small nations and to give a global voice to people in the most remote and vulnerable countries. . So this paper on small island economies is core to the work of the Alliance.

The Anglican Communion has a strong presence in some of the most scattered of the small island nations; in the Pacific and Caribbean especially. These islands face some of the biggest challenges of our time, both in overcoming poverty and injustice, and also countering the effects of climate change. For the islands of the Pacific, the two are completely inter-linked.

Development in the rest of the world has impacted heavily on the islands, in terms of social change, rising aspirations among young people, population growth and the possibility of out-migration.

This paper provides a very brief guide to the islands' economies, identifies some of the key challenges, and some of the strategies that are being pursued locally so that the participants at the consultation in Honiara can decide how the Anglican Alliance should respond. However, the paper cannot do justice to the unique nature of each island, which is a source of great strength and hope for the future.

Discussion point: How can we work together across the Anglican Communion to tackle poverty and its causes in the most remote and vulnerable communities?

2. Small Islands in the Communion

The challenges facing the small island states are core to the mission of the Anglican Alliance in tackling poverty and its causes. The Anglican Communion is well placed to provide a voice for the most remote communities and nations in the world, and to ensure that the views of these countries are heard by the most rich and powerful. The Communion has a substantial presence on more than half of the countries that have membership of the Alliance of Small Island States, which includes

islands in the Caribbean, Pacific, south Atlantic and Indian oceans. Below are very short summaries of the nature of the economies in the Pacific islands, which are hosting this consultation and have identified economic empowerment as one of their priorities, and a general summary of the economy in the islands of the Caribbean.

2.1. Pacific

The Pacific islands cover a quarter of the globe, but contain only a small fraction of the world's population: and two thirds of them live on Papua New Guinea. These characteristics – the islands' remoteness, and their small size and populations, have a profound effect on their economies and prospects for development. In the recent economic recession, they fared relatively well. They benefitted from their close relationship with Australia and New Zealand which withstood some of the worst of the financial crisis that shook the rest of the developed world. So the Pacific islands maintained an overall modest growth rate of 2% throughout the period. However, this overall picture conceals some marked variations and volatilities.

The Church of Micronesia has published some excellent reports on the Economy, by Francis Hezel. In particular his report "Is that the best you can do? A tale of two Micronesian economies" points sets out some principles for future development, underlining that aid is not enough, and in some cases has been counter-productive. His article will be circulated for participants at the consultation.

Behind the overall figures there is a wide variation in the performance of the islands' economies:

- Papua New Guinea, by far the largest island, with two thirds of the total population of the islands. It has other natural advantages, achieved a strong overall growth rate of 7%. (find out the year) However, poverty persists, there are marked inequalities, including gender inequalities, and serious social and economic problems in rural areas where 94 per cent of the country's poor live. Rural living standards are reported to be worsening, the population is growing rapidly, resources are being depleted, infrastructure is deteriorating and government is not effective. As 80 to 85 per cent of the population live in rural areas, the consequences for the nation are profound. It has also suffered from persistent high levels of crime.
- Fiji is has a relatively large economy., and is the least aid-dependent. It currently has modest economic growth, coming out of serious decline in the aftermath of the December 2006 coup, and heavy flooding of early 2009. Fiji has some good examples of developing niche exports for developed economies.
- Kiribati is one of the most isolated countries in the world, and the most vulnerable to climate change. Spread over 3.5 million square miles of the Pacific Ocean, it consists of one island and 32 low-lying atolls which are only about two metres above sea level. Its economy is constrained by size, is based on subsistence agriculture, and has to meet the needs of a fast growing population. Its economic performance has been slow. Its big strength is its strong traditional culture that provides social stability and promotes family welfare, protecting people from severe poverty.
- The Cook islands – are one of the smallest group in terms of population, with the highest per capita GDP of all the groups of islands, dependent most only income from tourism. the

Marshall Islands is one of the aid-dependent countries. It's 60,000 population rely mostly on subsistence farming. After slow but steady growth, the economy was heavily hit in 2008 by high energy costs, with fuel imports accounting for almost 20 per cent of the national budget - example of the way that small island economies can be blown off course by unexpected external shocks beyond their control.

- Paulau, in Micronesia, became an independent nation in 1994 and is the most aid dependent in the Pacific. It relies on tourism and fishing. However, the tourism industry was hit by the closure of a charter flight operator in Taipei, and the impact of the recession on Japan and China, the source of most tourists to the island. This underlines the precarious nature of small island economies that rely on consumer spending in the developed world.
- Samoa, in Polynesia, undertook a major reform programme that transformed the island into one of the better performing in the region. This was damaged by job cuts in the country's biggest private sector employer, a fall in remittances from Samoans living abroad, and a reduction in tourism from the recession-affected developed world.
- The Solomon Islands – A group of 992 islands spread over 1.35 square kilometres of ocean, the Solomon islands have grown out of serious civil unrest, and a sharp recession in 2009 to economic modest growth and restoration of peace. However, it remains one of the poorest groups of islands in the Pacific. The economy which has relied on trade with China, has been dominated by logging, but this is now running at six times the sustainable level, and the remaining forest resources are expected to disappear within this decade. The Solomon Islands are hosting the Pacific consultation.
- Tonga – consists of 171 islands, only a quarter of which are inhabited. It is aid reliant, but experiencing steady growth based on agriculture, tourism and fisheries. It also relies on income from remittances from Tongans abroad – up to 30 per cent of GDP. It is still recovering from damage to the infrastructure during riots in 2008. The strong tradition social structures provide social support, but there are growing difficulties with unemployment, malnutrition and crime.
- Tuvalu – consists of nine atolls with a total land area of 26 square kilometres. It has few natural resources, and is almost entirely dependent on imported fuel and food, so it has been severely affected by the increase in food prices. It relies on aid and remittances from its citizens who work on foreign merchant ships. Tuvalu faces some of the greatest economic challenges in the region, and is one of the most susceptible to external shocks including climate change – as it is the world's second lowest-lying nation.
- Vanuatu - Its economy is growing steadily, and is spread across telecommunications, agriculture, tourism and remittances. The latter is the country's second largest foreign exchange earner, thanks to its links to New Zealand. Experiencing frequent earthquakes and cyclones, the Vanuatu has been rated the most vulnerable small country by the Commonwealth Secretariat.

The key economic development challenges set out above facing the Pacific Islands include:

- The impact of natural disasters estimated to have a continuing – negative - impact of 4-7% of GDP. There's a need to adapt to long term climate change – the region includes the two most low-lying countries in the world.
- Environmental degradation of fragile islands by unsustainable development and exploitation of resources.

- Some political instability, need to strengthen government systems across scattered islands, some poor governance, including in management of natural resources, and issues surrounding land tenure.
- Reliance on the public sector, remittances and aid transfers: some of these are the most aid dependent countries in the world. They need to attract sustainable private sector inward investment.
- High levels of unemployment, especially among young people, a need to improve skill levels, and the out migration of skilled people.
- Heavy dependence on single industries, or even companies, making the islands very vulnerable to decisions and pressures beyond their control.
- Overcoming the difficulties associated with remoteness and small size, especially in sustainable infrastructure, and economic diversification.

Strengths on which the islands can draw include:

- A young and potentially economically active population.
- Potential for tourism
- Strong traditional cultures - in some islands this has been a source of strength in providing social cohesion to cope with difficult natural events and circumstances, and providing protection against poverty.
- Recent improvements mean that in a number of islands there has been a period of peace and steady growth.
- Good relations with close developed neighbours of Australia and New Zealand, and relative proximity to the emerging economies of the East.

2.2. the Caribbean

Some of the Caribbean islands share similar challenges with those of the Pacific. The problems of youth integration in particular have been documented by Commonwealth studies. Overall the islands exhibited moderate growth of about 3% in 2000-2007, with considerable variation between strong performers, such as Trinidad and Tobago, Belize, and the Dominican Republic, and the weak performers, such as Haiti and Montserrat. It's notable that both of the latter have suffered from devastating natural disasters, an earthquake and a volcano. . The impact of the recession was varied similarly, from a contraction of 9% in Antigua to expansions of 3% in the Dominican Republic and Guyana. Following a sluggish and patchy recovery in 2010, growth is expected to return to 3% in 2011.

Challenges for the development of the Caribbean include:

- Addressing the problems associated with migration.
- 10 of the world's most heavily indebted countries are found in the Caribbean.
- Need for regional cooperation.
- Natural disasters response and insurance.
- Over-dependence on a single economic sector, and unstable global markets. Problems with achieving economic diversification, and reliance on imports to meet consumer demand.

- High levels of crime and violence, especially involving young people, and especially young women.
- Weak governance on some islands.
- Impact of political and policy changes elsewhere in the world, including European integration impacting on agriculture.

2.3. South East Asia

The south east Asia region has some of the greatest extremes, continental countries, many small islands, fast growing economies and substantial poverty. The region was one of the fastest to recover from the recent recession, and average per capita incomes now range from \$5 a day in Cambodia, Laos, Burma and Timor-leste, to \$10 a day in Indonesia, Philippines and Vietnam, up to \$100 a day in the richest which include Hong Kong, Korea, Taiwan and Singapore.

The Philippines has some particular challenges in combining good rates of economic growth with an even faster rate in the growth of poverty. The Episcopal Church in the Philippines has a strong development arm, and commitment to tackling the injustices in their society. The Philippines consists of 7,017 islands which experience some of the same natural challenges facing the Pacific islands in terms of vulnerability to extreme weather conditions, earthquakes and other natural disasters. The economy is in transition, but despite is scarred by worsening levels of poverty caused by high population growth and inequitable distribution of income in a country scarred by corruption and human rights abuses.

Challenges facing some countries in south east Asia include;

- High food prices
- Improving transport infrastructure.
- HIV/AIDS
- Domination of the regional economy by China.
- Poor governance and instability.
- In-migration and out-migration of labour.

The Philippines is part of the East Asean Growth Area programme of the Asian Development Bank. This programme focuses on economic development in parts of Brunei, Indonesia, Malaysia and Philippines, looking at some of the challenges around transport, infrastructure, ICT, tourism and business development in some of these complex geographic areas: a level of regional policy co-ordination which is lacking in some of the other small island nations.

4. Key barriers to growth

Barriers to growth in these nations made of many small islands can be broken down into four main categories:

- *Financial environment* – aid dependence, overreliance on dominant developed country neighbours, on unstable sectors, including tourism and some commodities such as sugar,

and on remittances. Difficult access to markets due to isolation. Heavy reliance on imports to meet consumer demands.

- *Labour market problems* - Shortages of skilled labour caused by out-migration, exclusion from the formal labour market of women, and the need for improved education and skill training.
- *Challenges in environmental and natural resources* – Disruption of the economies by natural disasters, environmental degradation by unsustainable development and exploitation of resources, and need for long term adaptation to climate change. Given the catastrophic impact of natural disasters on the well-being of people and the economy on these islands, the programmes on disaster preparedness are key components of a sound economic strategy.
- *Governance challenges* – Conflict and social unrest and poor regulation has led to depletion of resources: notably of forestry in Indonesia, Papua New Guinea and the Solomon Islands. Challenges in establishing regional co-ordination or co-operation to promote economic development. Integrating young people has also been a challenge in some areas, including the Pacific and the Caribbean. An example of a country that made sound governance a basis for exceptional economic growth has been Mauritius.

Discussion point: What are the biggest barriers to people moving out of poverty in your local community/diocese/province. How do your experiences compare with people from

5. Economic empowerment strategies

Some of the economic empowerment strategies which have been identified by some of these very special nations include:

- *Access to finance:* At macro-level attraction of inward investment, at micro-level providing access to capital for people on low incomes through micro-finance institutions.
- *Development of sustainable markets :* Avoiding exploitation of natural resources and identifying markets for local produce in the developed countries.
- *Good governance :* Improving systems of government, and tackling problems such as crime through engaging young people.
- *Developing local labour s:* Through improving education.
- *Improving co-ordination between the islands*
- *Women’s empowerment – you can’t grow an economy if half the population are kept out of the labour market because they’re women.*

Decision point: Which of the above strategies do you consider most important – in priority order.

6. Ways forward

Many dioceses and agencies are already engaged in economic empowerment of the poorest communities: in the Pacific Islands the Australian Anglican agencies are the major development partners. . The challenge is to see how by working together we can learn from each other, scale up our responses to poverty, and use our influence, through advocacy to transform some of the unjust structures that continue to trap people in poverty.

a. South-south learning

There is provision in the Alliance work programme and budget for a programme of south-to-south learning. This makes it possible for colleagues working on an issue in one region to join up with colleagues in another part of the Communion to develop their understanding and perhaps a joint programme. There is the potential for the Pacific islands to work with another region – Africa, South Asia, South East Asia or Latin America and the Caribbean in an area of particular mutual interest. For example, it could be the islands of the Pacific working with the islands of the Caribbean on issues of youth empowerment, especially in relation to economic exclusion. Or it could be the islands of the Pacific working on the impact on the economy of climate change, linking with another region where the economy is especially affected by this phenomenon.

It is down to this consultation meeting to make a decision on this, which the Anglican Alliance will then assist in carrying forward. Please note that the funds are limited, and are to be released only against an agreed work programme.

Decision point: Would you like to see the Anglican Alliance supporting some south-south learning on some of the barriers to economic empowerment in the Pacific islands.

b. Advocacy

Some of the barriers to economic growth can only be overcome at nation, regional or global level. They're beyond the scope of the Church - but not beyond its reach. For example an advocacy campaign could help ensure that the economic challenges facing the islands of the Pacific, and especially climate change, get a higher priority internationally.

Decision point: Would you like to see the Alliance co-ordinate /provide tools for advocacy on any of the points in this paper.