

**Department of Economics  
University of Hawaii (Mānoa)  
Summer Session II, 2011**

**EC 418: PACIFIC ISLAND ECONOMIES**

**Syllabus**

**1. COURSE OBJECTIVES**

The course, which covers 14 member Pacific island countries (PICs) of the regional organization the Pacific Forum, focuses on various issues relating to their economic conditions and institutional features. Utilizing the findings of annual social and economic surveys by various international organizations, including the *United Nations Economic Social and Economic Commission for Asia and the Pacific*, Bangkok and Asian Development Bank, Manila and studies by academics, the course will discuss growth potential and constraints faced by the PICs. Strategic objectives and policy options will be explored and analyzed. The course will also examine the causes behind lower growth in PICs as compared to growth in the Caribbean and Indian Ocean Island countries.

By the end of the course, students are expected to have developed a broad vision of the economic future of PICs and how this future could be improved. The course will also examine the special circumstances of the least developed countries in the region, which are exposed to environmental risks arising from global warming. The roles of external aid and debt will also be assessed in this regard.

The course will explore possibilities of eventual regional integration of the islands in the context of the ongoing globalization. Specifically, it will examine the opportunities presented to them in terms of the Pacific Island Countries Trade Agreement (PICTA) already signed and ratified by the PICs and Pacific Closer Economic Relations Agreement also signed and ratified by the PICs, Australia and New Zealand, the two advanced member countries of Pacific Forum. The course will also examine the prospects of a Pacific Union on the lines of the European Economic Union with a common currency and free mobility of capital and labor.

**2. STUDIES AND REPORTS**

The course is highly reading oriented. There is no specific textbook for the course. Students have to review important studies and reports of the World Bank and Asian Development Bank and other international agencies as well as regional agencies, including the Pacific Forum. Students are also expected to go through additional reading material. A list of readings will be given to the students.

### 3. WEBSITES FOR NEWS SOURCES / LATEST REPORTS / UPDATES ON PICs

- <http://pidp.eastwestcenter.org/piereport/text.shtml>
- [www.forumsec.org](http://www.forumsec.org)
- [www.worldbank.org/smallstates](http://www.worldbank.org/smallstates)
- [www.thecommonwealth.org](http://www.thecommonwealth.org)
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### 4. COURSE CONTENT

Topic 1	Socio-cultural Issues
Topic 2	Overview of Growth Potential & Constraints
Topic 3	Pacific Islands in the International Economy
Topic 4	External Aid and Pacific Islands
Topic 5	Migration, Remittances and Growth
Topic 6	External Debt
Topic 7	Macroeconomic Management
Topic 8	Policy and Sector Reforms
Topic 9	Private Sector Development
Topic 10	Environmental Concerns and Least Developed Countries
Topic 11	New Growth Areas
Topic 12	Free Trade and Regional Integration

### 6. LECTURE PLAN FOR 6 WEEKS

<u>Titles of Lectures</u>	<u>Week</u>
1. Socio-cultural issues and Overview of Growth Potential & Constraints	1
2. PICs in the International Economy and External Aid	2
3. Trade, Remittances, Growth and External Debt	3
4. Macroeconomic Management and Policy Sector Reforms	4
5. Private Sector Development & Environmental Concerns	5
6. New Growth Areas, Free Trade and Regional Integration	6

## List of Readings

The literature on Pacific islands dealing with various aspects of economic and social development is growing. The publications include regular *Annual Surveys* by UN ESCAP and Asian Development Bank's quarterly, *Pacific Economic Monitor*. Students are encouraged to browse past and current issues, which are available in the Pacific Collection of Hamilton Library.

The following is the list of articles, which is not in any way considered exhaustive and complete, on each Topic. Students are urged to read as much as possible of these articles/chapters. Class lectures, because of limited time, may not focus on each of the articles but would certainly cover the major contributions to date.

1. Introduction:

Te'o Fairbairn, *et al*, 1991, *The Pacific Islands*, East West Center, Honolulu, Chapter 3, on Pacific Island Economies: Prospects for Development.

2. Sociocultural Issues

(a) Chapter 2: "Land Tenure", in ADB (1996). *Sociocultural Issues and Economic Development in the Pacific Islands*, Pacific Series, 1996.

(b) Chapter 2: "Business and Credit" in ADB (1996). *Sociocultural Issues and Economic Development in the Pacific Islands*, Pacific Series, 1996.

(c) K. Gannikot (1993) "Human Resource Development in the South Pacific" in Cole and Tambunlertchai (Eds.), *Pacific Islands at the Crossroads? Canberra: Australian National University*.

(d) UNDP, *Pacific Human Development Report* (2006).

(e) T. Levantis and J. Yala (2008). "Breaking away from Land Policy Stalemate," *Pacific Economic Bulletin*, 23 (1): 99-111.

3. An Overview of Growth Potential & Constraints

(a) Urwin G. (2004). *Economic Development of Pacific Island Economies and Regional Cooperation*, Suva: Pacific Islands Forum Secretariat. (Available on Forum website" [www.forumsec.org](http://www.forumsec.org) )

- (b) Chapter 1 "On Overview of Regional Economic Performance and Prospects," in C. Browne (ed.) *Pacific Island Economies*, Washington, D.C.: IMF.
- (c) T.K. Jayaraman (2009). Economic Trends in the Pacific Islands," in Lynn Daniel (ed.), *Far East and Australasia 2009 Yearbook*, 40<sup>th</sup> Edition, London: Routledge: 917-927.
- (d) S. Gosarevski *et al.* (2004). "Is Papua New Guinea Viable with Customary Land Ownership?" *Pacific Economic Bulletin*, 19(3): 133-136.
- (e) Chapter 8 on "Constraints to growth? Land, Culture and Environment" in Fairbairn and Worrell, *South Pacific and Caribbean Island Economies*, Suva: Pacific Forum Sec.

#### 4. Pacific Islands in the International Economy

- (a) L.A. Winters (2005). "Small economies in a globalising world: the policy challenges ahead," *Pacific Economic Bulletin*, 20(3):94-102.
- (b) R. Mahadevan (2009). "The withdrawal of EU sugar preferences and the bittersweet reform pill for Fiji," *Pacific Economic Bulletin*, 24 (2): 82-95.
- (c) S.Chand (2005). "Globalisation or self-inflicted wounds in the Fiji sugar and garment industries," *Pacific Economic Bulletin*, 20 (3): 124-127.

#### 5. External Aid and Pacific Islands

- (a) H. Hughes (2003). "Aid has Failed," <http://www.cis.org.au/issueAnalysis/ia33.htm>
- (b) M. Saitala (1995). "The Tuvalu Trust Fund," *Pacific Island Development Dialogue*, 1(1), April, 46-52.
- (c.) R. Duncan (1995). "Held In Trust," *Pacific Economic Bulletin*, 10 2): 41-47.
- (d) B. Samuel (2010), "Dutch Disease in the Western Pacific: an overview of the FSM economy under the Amended Compact of Free Association," *Pacific Economic Bulletin*, 25 (3) 24-39:
- (e) C. Wendt (2000). "Macroeconomic Management and Aid Policy: The Samoan Experience," *Pacific Economic Bulletin*, 15(1): 148-158.
- (f) T. Crossen (2000). "Macroeconomic Management and Aid Policy: The Solomon Islands Experience," *Pacific Economic Bulletin*, 15(1): 159-167.

- (g) G. Bertram, G. (1993). "Sustainability, Aid, and Material Welfare in Small South Pacific Island Economies, 1900-90," *World Development*, 21(2): 247-258.
- (h) T.K. Jayaraman, and B.D. Ward, (2006). "Aid Effectiveness in a Vulnerable Island Nation: An Empirical Study on Aid-Growth Nexus in Vanuatu," *Asia Pacific Development Journal*, 13 (2): 93-112.
- (i) H. Hughes (2010). "Aid has failed the Pacific: Pacific 2010 Revisited," *Pacific Economic Bulletin*, 25(3): 232-234.

## 6. Migration and Remittances and Growth

- (a) G. Bertram and R.F. Watters, (1985). "The MIRAB Economy in South Pacific Microstates," *Pacific Viewpoint*, 26(3), 497-512.
- (b) G. Bertram and R. F. Watters, (1986). "The MIRAB Process: Some Earlier Analysis and Context," *Pacific Viewpoint*, 27(1), 47-57.
- (c) Chapter 5 on Remittances and Migration in C. Browne, *Pacific Island Economies*.
- (d) T.K. Jayaraman, C.K. Choong and R. Kumar, R. (2011) "Role of Remittances in Small Pacific Island Economies in Fiji: An Empirical Study," *International Journal of Economics and Business Research*, 3 (5): 526-541.
- (e) T.K. Jayaraman, C.K. Choong and R. Kumar (2010) "Role of Remittances in Tongan Economy," *Migration Letters*, (7) 2: 224-230.
- (f) T.K. Jayaraman, C.K. Choong and R. Kumar (2009) "Role of Remittances in Economic Growth in Pacific Island countries," *Perspectives on Global Development and Technology*, 8: 611-627.
- (g) M. Luthria (2008). "Seasonal Migration for Development?," *Pacific Economic Bulletin*, 23(3): 165-170.
- (h) S. Boland and B. Doery (2007)/ "The economic significance of migration and remittances in Tuvalu," *Pacific Economic Bulletin*, 22(1): 102-114.

## 7. External Debt

- (a) T.K. Jayaraman and R. Ratnayake (1996). "External Debt and Economic Growth of Fiji," *Working Paper*, Economics Department, University of Auckland.
- (b) T.K. Jayaraman and E. Lau, (2008). "Does External Debt lead to Economic Growth in Pacific Island countries? A Panel Study," *Journal of Policy Modeling*, 31 (2) : 272-288

- (c) T.K. Jayaraman and Choong, C.K. (2008). " External Debt and Growth in Pacific Island Countries: A Case of Fiji," *Economia Internazionale*, LXI, No. 4, 711-728.

## 8. Macroeconomic Management

- (a) T.K. Jayaraman (2008). "The Role of Fiscal Policy in Resilience Building: Experience of Pacific Island Countries", in L. Briguglio, G. Cordina, N. Farrugia, & C. Vigilance (Eds.), *Small States and the Pillars of Economic Resilience*, Malta: University of Malta and London: Commonwealth Secretariat, 95-118.
- (b) T.K. Jayaraman (2008). "Macroeconomic Aspects of Resilience Building in Small States," Chapter 1, in L. Briguglio and E. Kisanga (eds.), *Building the Economic Resilience of Small States*, Malta and London: University of Malta and Commonwealth Secretariat: 33-58.
- (c) R. Duncan (2010). "Managing Natural Resource Revenues," *Pacific Economic Bulletin*, 25(3); 260-263.
- (d) R. Duncan and I. Temu, (1995). "The Need for Fiscal Discipline," *Pacific Economic Bulletin*, 10 (11): 14-18.

## 9. Policy and Sector Reforms

- (a) Chapter 2 on Public Sector Activities in C. Browne (ed). *Pacific Island Economies*.
- (b) Duncan, *et al.* (1999). *Pursuing Economic Reforms in the Pacific*, Pacific Studies Series, ADB, Manila.
- (c) D.U. Amosa (2003). "An Overview of Public Sector Management Reform in Sāmoa," *Pacific Economic Bulletin*, 18(1): 39-49.

## 10. Environmental Concerns

- (a) B. C. Prasad (2003). "Globalization, Human Dimensions, and Environmental Change in the South Pacific Island Nations," *South Pacific Study*, 24(1):1-14.
- (b) B.C. Prasad (2003). "Globalization, markets, Transnational Corporations and Environmental Management: A Case of Small island Nations in the South Pacific," *The Journal of Corporate Citizenship*, 1(2): 75-89
- (c.) M. Reddy, (2000). "Natural Disasters and Island Economies: An Examination of the Cost of Natural Disasters," *South Pacific Study*, 21(1);31-42.
- (d) P. Lal (2010). "Vulnerability to natural disasters: an economic analysis of the impact of the 2009 floods on the Fijian sugar belt," *Pacific Economic Bulletin*, 25(2): 62-77.

11. Private Sector Development

- (a) Chapter 3 on Private Sector Development, in C. Browne (ed)., *Pacific Island Economies*.
- (b) T. Fairbairn, (1992). *Private Sector Development in the South Pacific: Options for Donor Assistance*, The Center for South Pacific Studies, University of New South Wales.
- (c) T.K. Jayaraman (1996). "Private Investment and Macroeconomic Environment in the South Pacific," *Occasional Paper No.14*. ADB.
- (d) R. Gounder, (2001). "Performance of Public and Private Investment in Fiji," *Pacific Economic Bulletin*, 16(1): 76-85.
- (e) T. K. Jayaraman, (2003). *Financial Sector Development and Private Investment in Vanuatu*, Christchurch: Macmillan Brown Center for Pacific Studies, University of Canterbury.

12. Areas of Growth

A. Tourism

- (a) P.K. Narayan (2002). "A Tourism Demand Model for Fiji," *Pacific Economic Bulletin*, 17 (2): 103-116.
- (b) C.S. Mellor (2003). "Towards New Tourism Development Strategies in Cook Islands," *Pacific Economic Bulletin*, 18(1): 100-107.

B. Financial Services

- (a) T.K. Jayaraman and C.K. Choong (2010) "Offshore Financial Center Institutions in Small Jurisdictions in a Globalized World: an Empirical Study of Vanuatu," *International Journal of Economic Policy in Emerging Economies*, 3 (2): 123-196.
- (b) T.K. Jayaraman (1998). "Economic and Human Resource Development Impact of Offshore Finance Institutions in the South Pacific: A Case Study of Vanuatu" in Lino Briguglio, *et al* (eds.), *Banking and Finance in Islands and Small States*, London: Cassells.
- (c) T. Dwyer (2000). "Harmful Tax Competition and the Future of Offshore Financial Centers, such as Vanuatu," *Pacific Economic Bulletin*, 15(1):48-69.
- (d) A. van Fossen (2002). "Offshore Financial Centres and International Development in the Pacific Islands", *Pacific Economic Bulletin*, 17(1): 38-62.

### C. Marine Resources

- (a) H.F. Campbell (2006). "Measuring the benefits of domestic tuna processing," *Pacific Economic Bulletin*, 21(3): 88-97.
- (b) P. D'Arcy (2006) "The role of the tuna fishery in the economy of Federated States of Micronesia," *Pacific Economic Bulletin*, 21(3): 75-87.
- (c) R. Duncan (2006). "Troubled Fishing in Pacific waters," *Pacific Economic Bulletin*, 21(3): 98-105.
- (d) R.A. Schurman (1998). "Tuna Dreams: Resource Nationalism and the Pacific Islands Tuna Industry," *Development and Change*, 29:197-136.
- (e) R. Duncan (2004). "Managing Volatile Fishing Licenses in the Pacific," *Pacific Economic Bulletin*, 19(3): 137-138.

### 13. Free Trade

- (a). B. Warner (2005). "Pursuing freer trade and development in the Pacific," *Pacific Economic Bulletin*, 20(3): 120-123.
- (b) R. Scollay (1998). *Free Trade Options for the Forum Island Countries*, The Forum Secretariat, Suva, Fiji islands.
- (c) Centre for International Economics (CIER) (1998). *Costs and Benefits of Free Trade Area between Forum Island Countries and Australia and New Zealand*, CIER, Canberra.
- (d) W. Narsey (2004). "PICTA, PACER and EPAs: Weaknesses in Pacific Island Countries' Trade Policies," *Pacific Economic Bulletin*, 19(3): 74-100.
- (e) U. Kauffmann (2009). "Pacific trade liberalisation and tariff revenues," *Pacific Economic Bulletin*, 24(3): 173-182.
- (f) U. Kauffmann (2010). "Pacific trade liberalisation and tariff revenues: a comment," *Pacific Economic Bulletin* 25 (3): 245-260.
- (g) M. Penjueli and W. Morgan (2010). "Putting development first: concerns about a Pacific free trade agreement," *Pacific Economic Bulletin*, 25(1): 211-221.



- (h) [www.forumsec.org](http://www.forumsec.org) for FAQs on Free Trade Area (PICTA).
- (i) [www.fdc.org.au](http://www.fdc.org.au) for studies on free trade and in the area.

14. Regional Integration

- (a) T.K. Jayaraman (2007). "Regional Economic Integration in the Pacific: Problems and Prospects," Chapter 8, in E. Kisanga and S. Danchie (eds.) *Issues in Economic Development of Small Island Economies*, London: Commonwealth Secretariat, 2007: 165-187.
- (b) S. Chand (2003). "An Assessment of the proposal for a Pacific Economic and Political Community," *Pacific Economic Bulletin*, 18(2): 117-124.
- (c) B. Sercombe and D. Peebles (2005). "Towards a Pacific Community," *Pacific Economic Bulletin*, 20(3): 130-140.
- (d) R. Grynberg, *et al* (1995). "Political Economy of Melanesian Trade Integration," *Pacific Economic Bulletin*, 10(2), December 1995: 48-60.
- (e) T.K. Jayaraman (2007). "Towards a Single Regional Currency in the Caribbean and Pacific Regions," *Social and Economic Studies*, 56 (1&2), 135-181.