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**A survey of the economy of French Polynesia
1960 to 1990**

Gilles Blanchet

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Key to symbols used in tables

- n.a Not applicable
- .. Not available
- Zero
- . Insignificant

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Abstract

This paper is a shortened and updated version of a previous report on French Polynesia's economy (Blanchet 1985), and is a descriptive overview rather than a comprehensive survey.

The main objective of the paper has been to bring together data, complemented by extensive explanatory information, to provide material for the assessment of the evolution of French Polynesia's economy up to 1990. In order to complement the earlier report, the paper devotes substantial attention to developments during the 1980s.

The most important factors shaping the economy of the territory have been political in nature. The drastic transformation and problematic adjustment to the outside world of what was formerly a relatively insignificant, small, colonial-style economy, was brought about by French metropolitan policies on defence (essentially, the decision to set up a nuclear testing site in the territory).

The report is chronological in its presentation. It examines the territory's key economic characteristics in each decade from the early 1960s onwards. The report begins with the creation of the Centre d'Expérimentation du Pacifique (CEP) and the unprecedented but unbalanced economic boom associated with it. It then examines the 1970s, a period when the economy slowed down and social imbalances increased. These problems remained throughout the 1980s, despite the exercise by the territory of its recently enlarged powers of local self-government. Indeed, the goal of economic independence proved to be elusive and, by 1990, few, if any of the long-established trends had been reversed.

The overall picture is rather grim, and all the more so because the CEP is being scaled down without any obvious substitute emerging to shore up the fragile economy. For almost three decades, the long-standing relationship between Paris and Papeete has focused on the activities of the CEP. However, the 1990s may see the expansion of this in a direction which would provide the opportunity for a more genuine association between metropolitan France and its Pacific territory, and hopefully one driven less by political defence considerations.

Abbreviations

CEA	Commissariat à l'Energie Atomique
CEP	Centre d'Expérimentation du Pacifique
CFPO	Compagnie des Phosphates de l'Océanie
COP	Centre Océanologique de Pacifique
DIRCEN	Direction des Centres d'Experimentation Nucleaire
DOM/TOM	Departements d'Outre Mer/Territoires d'Outre Mer
EDT	Electricité de Tahiti
FADIP	Fonds d'Amenagement et de Developpement des Iles de Polynesie Française
FIP	Fonds Intercommunal de Perequation
FSIDA	Fonds Spécial d'Intervention pour le Developpement de l'Agriculture
FSIDEP	Fonds Spécial d'Intervention par le Developpement de Pêche
GOEN	Groupe Operationnel des Experiences Nucleaires
IEOM	Institut d'Emission d'Outre-Mer
ILO	International Labour Organization
INSEE	Institut National de Statistiques et d'Etudes Economiques
ITSTAT	Institut Territorial de la Statistique (Papeete)
ODT	Office de Developpement du Tourisme
OECD	Organization for Economic Cooperation and Development
SPC	South Pacific Commission

Note: 1 Fr.Pac = 1 F. CFP = 0.055 French franc
= S\$0.75 (as at March 1991)

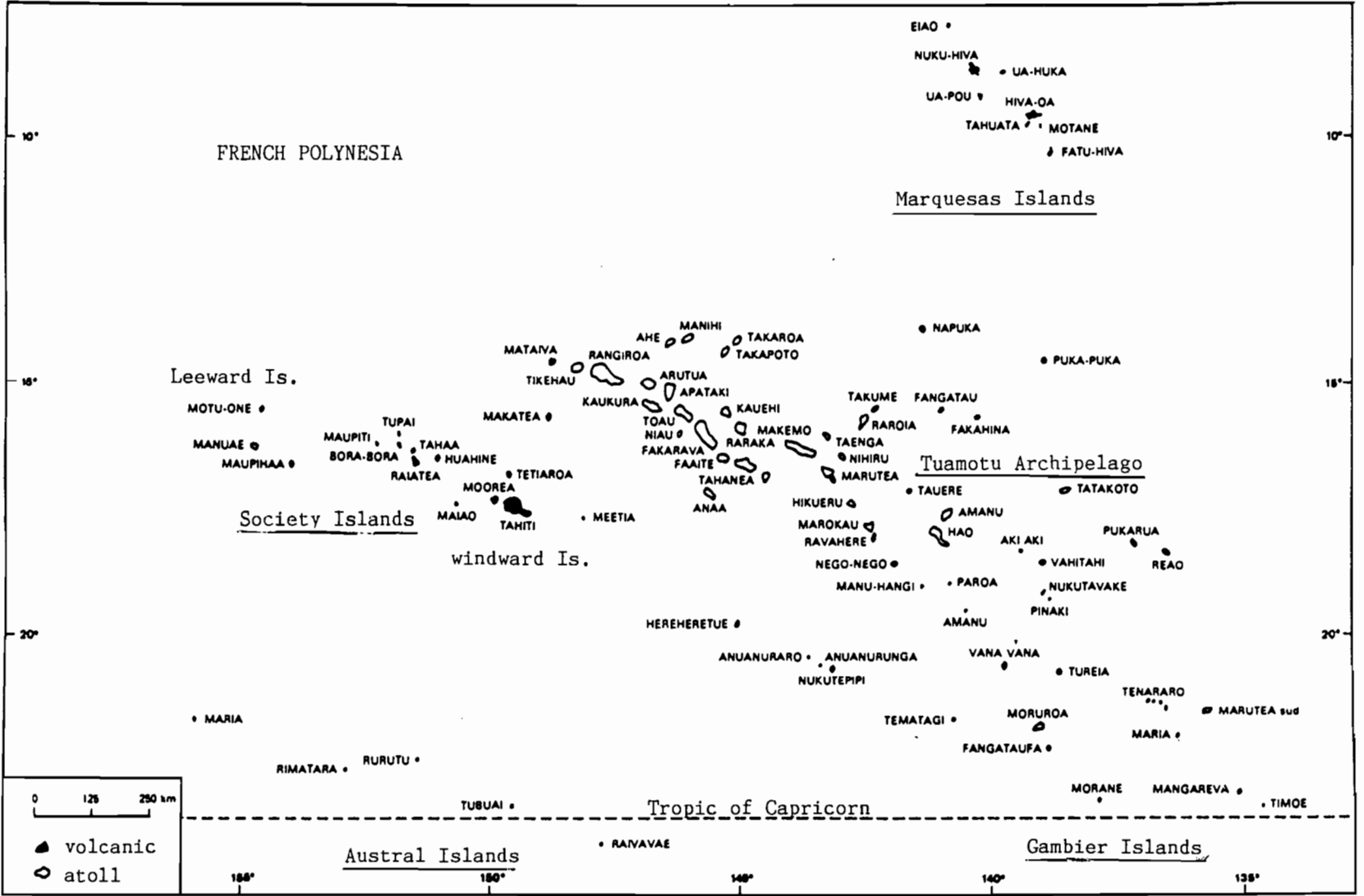
A survey of the economy of French Polynesia: 1960-90

Introduction: the islands and their people

The myriad of small islands which make up French Polynesia lie at the heart of the Pacific Ocean. French Polynesia is 4000km from New Zealand, 6000km from Australia and North America, 8000km from Latin America, 9500km from Japan and 18,000km from France. Its islands are widely dispersed and the territory has only 3600km² of land spread over an area as large as Europe. The 120 or so islands lie between the Equator and the Tropic of Capricorn and are grouped into five archipelagoes between latitudes 7°50S and 27°40S and longitudes 140°45W and 163°47W (Map 1). The main archipelago is that of the Society Islands (which includes fourteen islands, mostly volcanic) and is subdivided into two groups: the Windward Islands with Tahiti and the capital city of Papeete, and the Leeward Islands, 200km from Tahiti. To the south are the seven volcanic islands of the Austral archipelago and, to the north, the nine volcanic islands of the Marquesas archipelago. The Tuamotu archipelago is a chain of 80 low, flat atolls to the east and is continued to the southeast by the Gambier archipelago which consists of ten small volcanic islands.

The population of French Polynesia was 188,814 in 1988 (Table 1). Of these, 66.4 per cent were Polynesians, 10.5 per cent Europeans, 4.0 per cent Chinese and the rest of mixed race. Three out of four people lived in the Windward Islands, most of them on Tahiti. The natural rate of population increase was 2.5 per cent a year. About 50 per cent of islanders were under twenty years of age and only 4.6 per cent sixty years old or more. Using ethnic, economic and social criteria, the population can be divided into four different groups. At the grass-roots, the 'maohi' are the most numerous and the true representatives of Polynesian culture and traditions. They are farmers and fishermen and, with increasing urbanization, also the skilled, unskilled or unemployed workers. Above them on the social ladder are the 'Demis', a mixed-race bourgeoisie living an occidental way of life who are dominant in the spheres of education, capital and power. The 'Chinese', now full French citizens, generally hold dominant positions in the business sector and, increasingly, in the economy at large, together with the 'Europeans', mainly French, who have settled in the territory or who are staying for a limited time, working in private companies, in the army or the administration.

Map 1 The archipelago of French Polynesia



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Table 1 Growth and geographical distribution of French Polynesia's population, 1962-88

	1962	1967	1971	1977	1983	1988
Windward Islands						
Population	49,795	66,095	84,552	101,392	123,069	140,341
% of total Territory population	58.9	67.2	70.9	73.8	73.8	74.3
Leeward Islands						
Population	16,177	15,337	15,718	16,311	19,060	22,032
% of total Territory population	19.1	15.6	13.2	11.9	11.4	11.8
Marquesas Islands						
Population	4,838	5,174	5,593	5,419	6,548	7,358
% of total Territory population	5.7	5.3	4.7	3.9	3.9	3.9
Austral Islands						
Population	4,371	5,053	5,079	5,208	6,283	6,509
% of total Territory population	5.2	5.1	4.3	3.8	3.8	3.5
Tuamotu/Gambier Islands						
Population	9,370	6,719	8,226	9,052	11,793	12,374
% of total Territory population	11.1	6.8	6.9	6.6	7.1	6.5
Total						
Population	84,551	98,378	119,168	137,382	166,753	188,814
% of total Territory population	100.0	100.0	100.0	100.0	100.0	100.0

Source: Institut d'Emission d'Outre Mer (IEOM), *Rapports Annuels d'Activité*; Institut National de Statistiques et d'Etudes Economiques (INSEE), census reports; Institut Territorial de la Statistique (ITSTAT), *Tableaux de l'Economie Polynésienne*, 1985.

Since 1946, French Polynesia, like New Caledonia and Wallis and Futuna, has been a French overseas territory and is seen as an indivisible part of the French Republic, even if linked to it in a looser way than other overseas departments such as Reunion Island in the Indian Ocean or the French Caribbean possessions of La Martinique or La Guadeloupe. The people are French citizens and elect their own representatives to the French Parliament. In addition, they elect a Territorial Assembly, which in turn designates a Government Council led by a vice-president nominated by the Assembly. The President is a High Commissioner appointed by the French Government. Successive constitutional reforms in July 1977, August 1984 and June 1990 have led to a significant transfer of power from the State to the Territory. Today, French Polynesia enjoys a high degree of internal autonomy, although, in political matters this is less extensive than in the neighbouring Cook Islands where the people have an independent international identity and the right to proceed to complete independence from New Zealand when they wish.

Table 2 Key indicators of South Pacific countries and territories, 1987

Country	Population (‘000)	Density (people/km ²)	Aid per capita ^a (US\$m)	GDP (US\$m)	GDP per capita (US\$m)
Solomon Islands	293	10	117	123	420
Tuvalu	8	308	1,585	4	450
Kiribati	66	96	176	32	480
Tokelau	2	200	1,446	0.8	500
Western Samoa	166	57	113	93	560
Niue	3	11	1,626	1.6	620
Tonga	99	142	128	72	730
Vanuatu	145	12	195	116	830
Papua New Guinea	3,494	8	84	3,082	890
Cook Islands	17	71	631	17	950
Wallis & Futuna	13	51	..	12.8	990
Fiji	723	40	58	1,091	1,500
American Samoa	36	183	..	162	4,500
Guam	129	238	..	1,150	8,900
New Caledonia	154	8	1,653	1,500	9,760
French Polynesia	186	57	1,715	2,100	11,300
Nauru	8	381	-	120	15,000

^a1958 figures.

Source: Institut d’Emission d’Outre Mer (IEOM), *Rapports Annuels d’Activité*; OECD reports; South Pacific Commission, *Statistical Summary*; World Bank, *World Bank Atlas*, Washington.

By comparison with other South Pacific countries, French Polynesia possesses a high standard of living but this has been gained at the cost of severe social inequalities, high financial costs of living and a heavy dependence on external linkages (Table 2). Although the value of exports is less than 10 per cent that of imports, the economy appears healthy due largely to tourism, the pearl industry and, to an even greater extent, to the military nuclear testing bases and their associated activities. The presence of the ‘Centre d’Experimentation du Pacifique’ (CEP) over more than 25 years has generated a so-called artificial economy which has brought with it high incomes and a consumerist mentality which is at odds with local resources. The distorting effects of the CEP have come under even greater scrutiny in recent years because of its declining activity and the threat this holds for the future of the economy. It seems likely that the Territory will soon have to find a more economically independent means of sustaining itself unless it manages to retain financial inflows and aid from France. Given the difficulties of achieving economic independence, even pro-independence parties (supported incidentally by a minority of less than 20 per cent of the electorate) have started to adopt a more cautious approach towards the attainment of complete and immediate independence.

The following paper deals with the changing fortunes of the French Polynesian economy since the creation of the CEP. It begins with a description of a buoyant economy in the 1960s and explores the growing uncertainty confronting the public authorities in the 1970s and the 1980s (a time when economic independence was proclaimed an official goal for the Territory). The paper then examines the Territory's present and future economic prospects, against the background of the CEP's declining activities.

Out with the old and in with the new: the transition years of the 1960s

Until the early 1960s, French Polynesia was a classic example of a colonial economy with its heavy reliance on metropolitan assistance and the export of a few staples, mainly phosphate, copra, vanilla, coffee and mother-of-pearl. However, the gradual exhaustion of phosphate deposits, falling world prices for raw materials, rapid population growth and the problems associated with rural-urban migration (more than half the Territory's population was already living in Tahiti) all combined to make the country's prospects particularly gloomy.

Fortunately, the Territory was progressively opening up to the outside world. The completion in 1961 of Faaa international airport gave tourism the impetus it needed, and the decision of Hollywood's MGM studios to remake their 1930s blockbuster 'Mutiny on the Bounty' (with Marlon Brando starring as Christian Fletcher) gave an additional boost to Tahiti's economy. However, none of this could soften the effects of the deteriorating terms of trade, which had seen the ratio of exports/imports (i.e. the trade balance) fall from 93 per cent in 1959 to 56 per cent in 1962.

When the French government shifted its nuclear experiments from newly-independent Algeria to French Polynesia and started to build a nuclear base in the Tuamotu archipelago, the whole situation changed drastically. The 'Centre d'Experimentation du Pacifique' (CEP), as it was called somewhat euphemistically, gave the Territory's economy a big push with far-reaching consequences.

The CEP: its creation, organization, infrastructure and funding

The Centre d'Experimentation du Pacifique was created in 1963 and came under the supervision of the Minister for Defence. Regulars of the army, navy and air force were posted there as were civil servants of the atomic energy board, 'Commissariat à l'Energie Atomique' (CEA), and staff of private companies who installed the necessary infrastructure. The official aim of the CEP was to plan and supervise ways and means of undertaking nuclear testing. This consisted of securing logistic support for the CEP and for the operating group which was present during active testing phases, as

well as taking part in the operations. The CEP was managed by a body named the 'Direction des Centres d'Experimentation Nucleaire' (DIRCEN) and headed by a general officer of the navy assisted by two deputies, one of them being an engineer representing the CEA and the other being the chief officer in charge of the operating group, the 'Groupe Operationnel des Experiences Nucleaires' (GOEN). Inter-army bases were established on testing sites located on the two atolls of Moruroa and Fangataufa in the Tuamotu archipelago. The two islands were freely leased to the French State by the Territorial Assembly's permanent committee after a one vote majority on 6 February 1964. At the same time, some land was leased on the neighbouring atoll of Hao for the construction of a large airfield.

The CEP plan of action involved establishment of these sites on Moruroa and Fangataufa and the advanced base on Hao, as well as the headquarters at Tahiti. The large-scale works mobilized thousands of local workers and metropolitan technicians. According to military data, by the beginning of 1966, 2,000,000m³ of excavations had been undertaken, 100,000m³ of concrete poured, 2000m of waterfront erected, 7400m of runway built on three airfields as well as 25ha of covered surfaces. Artificial channels were cut through the atoll rings and an observation post of 5000 tonnes of concrete named 'Anemone' and two advanced recording posts named 'Denise' and 'Dindon', looking like cathedrals with their 50,000 tonnes of concrete, were constructed so as to be able to resist the explosions.

At the advanced base on Hao, the building of a large airfield led to the cutting down of some 7700 coconut trees, the use of 880,000m³ of concrete and 4000 tonnes of steel, and the digging out of 50,000m³ of coral in order to deepen the access channel. A CEA technical centre and a supporting base capable of accommodating some 4000 people were also built on the atoll.

Large-scale works were also undertaken in Tahiti which was to be used as a back-base and headquarters. After two years of relentless work, at a cost of 100 million Fr.Pac., a new harbour was constructed in Papeete, protected from the ocean by an 800m long seawall built on the reef and incorporating Motu Uta islet. The deepwater wharves were extended from 100m to 1100m, fuel-stocking capacity from 22,500m³ to 50,000m³, platforms from 4000m³ to 90,000m³ and warehouses from 10,000m³ to 22,500m³. Moreover, 350m wharves, 13,000m³ of platforms, 6000m³ of warehouses as well as naval repair yards and a 3500 tonne floating-dock were put at the exclusive disposal of the army and the CEP. Despite their size, these installations proved to be inadequate for accommodating the 'Pacific naval force' during testing operations. As an alternative, an annex harbour was laid out in Vairao Bay by enlarging the channel and putting

coffer-dams in place, with secondary anchorages installed at Moorea and Bora Bora. At the same time, a complex of military and para-military installations was set up, consisting of Arue Camp, Faaa Airbase, Pirae CEP/CEA Headquarters and Jean Prince Military Hospital. Some existing hotels were leased to military forces such as the Ia Orana Hotel for officers, the Arahiri Motel for non-commissioned officers and the Grand Hotel for military staff. Likewise, housing estates sprang up in the Papeete urban zone and leisure club centres flourished in Arue, Mataiea and Vairao.

The funding of these works came from public expenditure with the result that state intervention became an integral part of the Territory's affairs. Public spending reached 98 per cent of GDP in 1966 compared with 32 per cent in 1960. In nominal value, it increased tenfold during the decade, amounting to 75.5 billion Fr.Pac., two-thirds of which was exclusively allocated to the CEP.

With this massive public expenditure came a rapid increase in the number of local and expatriate private firms. More than 1000 enterprises were reportedly working for the CEP in 1965. According to a local census made at the same time, 17 out of 145 commercial and industrial companies employed more than 100 salaried people and were specialized in construction and public works (not including the 'Compagnie des Phosphates de l'Océanie' (CFPO), Electricité de Tahiti (EDT) and three transport/freight societies). Activity in the building and public works sector quintupled from 1962-85, rising from 815 million Fr.Pac. to 4.2 billion Fr.Pac. It fell slightly when the CEP installation was completed but nevertheless remained important because of requirements for additional equipment. Maintenance costs had reached 600 million Fr.Pac. as early as 1967.

Rapidly expanding military and civil public works gave rise to a heavy demand for labour with most of the firms located at the sites having to charter vessels so as to be able to recruit workers in the outer islands. Governor Sicurani estimated the number of islanders employed by the CEP to be 3500 in May 1965 and that the temporary rural exodus involved 85-90 per cent of the rural workforce. At the same time, expatriate civil servants, technicians and private company staff were recruited to deal with the growth in economic activity and the parallel development of administrative and technical services. The CEP workforce was estimated at 4000 people in 1964, 7000 in 1965 and 13,000 in 1966. Territorial workers made up 500 of these in 1964, rising to 5400 in 1967 and represented a third of the Territory's wage-earners. Once overall infrastructures were completed, only 2800 local people were employed in this way in 1969. Personnel employed by the CEP also fluctuated, falling to 7000 in 1967 and reaching a high of 15,000 in 1968, as a result of irregular testing

campaigns bringing about the formation of 'alpha force', an air and sea occasional taskforce brought in to assist those on the spot. In 1970, the number of CEP employees was about 12,000, a figure which had to be reduced by 45 per cent in the interval between two testing campaigns.

An unprecedented economic boom

At the time of its installation, the CEP was considered a metropolitan venture with specific purposes and motivations. However, it gave birth to such a range of operations at a variety of scales that it changed prevailing economic and social conditions and masked local reality over a long period.

The CEP's impact may be roughly appreciated from the following indicators. Over the period 1962-70, French Polynesia's GDP per capita grew by a factor of 3.5 compared with 2.2 in France. Its value reached 83 per cent of the French value in 1968 compared with 45 per cent at the beginning of the decade. As early as 1964, the CEP's expenditures were four times higher than the territorial budget and two times higher than the figure of the 1966-70 plan (which had exceeded its own initial forecast by 160 per cent).

Rising incomes. The CEP development soaked up the manpower liberated by the completion of Faaa international airport in 1961 and the closure of the phosphate mines in 1966. Meanwhile, public and private sector workers flooded in from France. Europeans living in Tahiti doubled in number between 1962 and 1965 and, at the time of the 1971 census, represented an active population of 7500 compared with 2000 in 1962. The increase in the number of public sector wage earners was paralleled in the private sector where 26,000 people were employed in 1970. This rapid increase in jobs reverberated on distributed incomes which rose fourfold climbing from 4.4 billion Fr.Pac. to 18.1 billion Fr. Pac. between 1962 and 1970. The trend was not uniform and, while public wages grew tenfold, private wages grew fivefold and individual entrepreneurs' incomes only doubled. Administrative incomes came to contribute 34 per cent of total incomes (instead of 12 per cent ten years earlier) while incomes from individual enterprises fell to 33 per cent (compared with 60 per cent in 1960).

A severe trade imbalance. In the meantime, the demand for durable and non-durable goods was growing and could only be met by increased volumes of imports (Tables 3 and 4). The installation of the CEP in 1963 clearly led to a take-off of imports one year later. Imports jumped from 1.6 billion Fr. Pac. in 1960 to 13.6 billion Fr.Pac. in 1970, climbing sevenfold from 1962-66 and declining from 1967-69 (when CEP activity slowed down). In the absence of any metal ores, local demand for equipment was

met by importing French mechanical and electrical products which represented more than half the imports at the close of the 1960s. Demand for non-durable goods and final products grew rapidly too, increasing sixfold at an annual rate of 20 per cent over the decade. In 1967 and 1969, when CEP expenditures were reduced by half, the demand fell only slightly demonstrating a lack of restraint on consumption of goods such as cars, garments and household appliances.

Table 3 **Growth of GDP and imports, 1960-89**
(billions Fr.Pac. at current prices)

Year	GDP	Imports	Imports/GDP (%)
1960	4.3	1.6	38.0
1961	4.8	2.1	43.5
1962	5.0	2.3	44.9
1963	6.0	2.9	48.1
1964	9.2	6.4	69.3
1965	13.3	9.6	72.7
1966	16.2	15.4	95.0
1967	16.6	10.2	61.6
1968	19.5	15.6	80.2
1969	19.2	10.4	54.0
1970	21.5	13.6	63.0
1971	25.0	14.8	59.4
1972	25.0	14.9	59.7
1973	29.2	16.9	57.8
1974	40.7	25.1	61.8
1975	45.0	22.3	49.6
1976	57.1	25.6	44.7
1977	63.2	29.0	45.9
1978	73.5	32.9	45.0
1979	85.8	36.3	42.3
1980	97.2	41.4	42.6
1981	116.8	54.8	46.9
1982	142.0	62.2	43.8
1983	171.0	74.2	43.4
1984	197.4	85.6	43.4
1985	227.2	88.9	39.1
1986	267.1	92.7	34.7
1987	284.3	90.6	31.9
1988	290.2	87.5	30.1
1989	296.4	91.7	30.9

Source: Institut d'Emission d'Outre Mer (IEOM), *Rapports Annuels d'Activité*; Institut National de Statistiques et d'Etudes Economiques (INSEE), *Census Reports*; Institut Territorial de la Statistique (ITSTAT), *Tableaux de l'Economie Polynésienne*, 1985.

Table 4 French Polynesia's trade balance^a (billions Fr.Pac)

Year	Imports	Exports	Exports/imports %
1960	1.6	1.2	75
1965	9.6	0.9	9
1970	13.6	1.8	13
1975	22.3	2.0	9
1980	42.0	2.3	5
1985	88.9	6.5	7
1989	91.7	10.3 ^b	11

^aApproximate balance: a genuine trade balance cannot be established because some of the products imported and re-exported by the CEP/CEA escape investigations.

^bOf which local products account for 4.5 billion Fr.Pac.

Source: Institut d'Emission d'Outre Mer (IEOM), *Rapports Annuels d'Activité*; Institut National de Statistiques et d'Etudes Economiques (INSEE), *Census Reports*; Institut Territorial de la Statistique (ITSTAT), *Tableaux de l'Economie Polynésienne*, 1985.

The burst of imports reverberated on the Territory's balance of trade with the deficit jumping from 275 million Fr.Pac. in 1960 to 10.8 billion Fr.Pac. in 1970 (with peaks of 13 billion Fr.Pac. in 1966 and 1968, two years of particularly intense activity).

A decline in local production. The commercial deficit was partly aggravated by the decline in traditional production. The closing down of mining at Makatea in 1966 put an end to phosphate exports which had represented more than 30 per cent of total exports. In the meantime, production of export-oriented agricultural staples steadily decreased (Table 5). Copra sales dropped from 25,000 tonnes in 1964 to 16,000 tonnes in 1967, a fall brought about by depressed world prices and by loss of workers to the CEP. Vanilla sales followed the same downward trend, with market prices recovering their 1959 nominal value only in 1970. Production declined by 84 per cent and plantations were progressively deserted in Tahiti and Moorea with consequent degeneration and increased incidence of diseases such as fusariosis. Green coffee exports also dropped from 114 tonnes in 1960 to 29 tonnes in 1964; they stopped completely in 1965 and, from then on, harvesting was only undertaken to meet local demand. Mother-of-pearl production followed the same path and fell from 645 tonnes to 185 tonnes during the 1960s as a consequence of low prices, competition from synthetic products, over-exploitation of lagoons and shortage of divers.

This overall fall in production was reflected in the value of exports which dropped from 1100 million Fr.Pac. in 1960 to 434 billion Fr.Pac. in 1970 while the official index of the cost of living increased by 60 per cent over the same period. Nevertheless, overall agricultural production

increased slightly owing to a rise in local food production. Over the decade, domestic sales of fruits, vegetables, meat, fish and shellfish trebled. However, imports grew twice as fast owing to the use of substitute and complementary products.

The expansion of the secondary and tertiary sectors. The importance of the changes occurring in the Territory's economic structure is not only illustrated by the decline of established agriculture but also by the rapid expansion of the secondary and tertiary sectors, especially the latter.

The decline of the primary sector resulted from the closing of mining, the stagnation of many rural activities and the development of local copra-processing. Conversely, the growth of the secondary sector stemmed from infrastructural work, construction programs and energy demand associated with the CEP. When the CEP's infrastructure was completed, building and light manufacturing industries were only slightly affected through deliberate promotion of civil public works. The contribution of the tertiary sector was already approaching 50 per cent of GDP in 1962 and reached 67 per cent in 1967. Tourism, which was greatly boosted by the opening of Faaa airport in 1961, faded away when the CEP was set up, and did not resume its activity until 1967. Tourism receipts, evaluated from foreign currency sold by non-residents, doubled from 1960-62, stagnated from 1963-66 and again doubled from 1967-70. The value added by tourism rose from 3.5 per cent to only 4.5 per cent of GDP over the decade. Meanwhile, the value added by other services (transport, communications, banking, insurance) rose from 15 per cent to 27 per cent of GDP.

Over a brief period, then, the Territory's economy had been transformed into one dominated by the provision of services and a heavy dependence on imports.

Economic uncertainty in the 1970s

The growth and modernization of the economy continued during the 1970s although at a slower pace and with disruptions resulting from changing circumstances and fluctuations in the CEP's activity.

The economic slowdown of the 1970s

After a two year pause, the CEP resumed its activity in 1971. This coincided with a boost in public works to prepare Tahiti as host to the Pacific Games. The recovery was short-lived and GDP fell by 5 per cent in the following year. However, a new nuclear testing campaign took place in 1973 and an important program of public works was launched. This included an alternative road from Papeete to Faaa named 'route de

degagement ouest' (RDO), the canalization of the Fautaua River, and the construction of Prince Hinoi Avenue and a scientific centre in Punaauia. Civil expenditure slowed in 1974 while military activity became frantic with the ending of atmospheric testing and preparations being made for underground testing.

Meanwhile, the first consequences of the 1973 world 'oil shock' were experienced in the form of rising prices of imported goods, soon followed, naturally enough, by rocketing retail prices. These prices rose by 18 per cent in 1974 and 14 per cent in 1975, at a time when declining activity and stagnating public expenditures combined to bring about a new fall of 5 per cent in GDP.

The transition from atmospheric to underground testing was associated with a number of cutbacks. Expatriate personnel employed by the CEP and CEA were cut by 25 per cent (some 1500 people). These measures were offset by a new program of public works in 1976 and the CEP, once redeployed, started to operate along a more even path. Unfortunately, in 1979, a new 'oil shock' resulted in another increase in prices and aggravated the commercial deficit of the Territory. Despite this, GDP stabilized in 1980, thanks to the intervention of the State which managed to make up for the sharp decline in commercial activity.

In general, public authorities did their best to regulate the economy and temper the vagaries of the CEP's impacts upon it. As a result, public expenditure, although lessening in the second half of the 1970s, continued to play an important role. It represented more than half the GDP in 1980 with public wages accounting for a quarter of it (compared with 13 per cent in France). Its importance, however, was slightly receding in relation to investment as the State reinforced its intervention in the economy. More financial opportunities were also transferred to households which attested to a growing concern for individuals.

As much as 61 per cent of public expenditure was backed by metropolitan funds. Official data show that State intervention was higher and growing faster than Territorial intervention which saw its relative contribution falling from 52 per cent of public expenses to 42 per cent in the period 1970-80.

The downward trends in rural production. Over this 1970-80 period, rural activity continued to decline even though a few new products such as fruits, trochus and pearls began to be exported on a small scale. Overall, exports decreased from 15,000 to 12,000 tonnes (Table 5). Their nominal value rose from 478 million Fr.Pac. to 663 million Fr.Pac. while retail prices more than doubled in the interval. Average copra production dropped from 15,000 tonnes to 10,000 tonnes as depressed market prices took their toll. Two short-lived rises in 1975 and 1976 were not enough to

reverse the trend, despite the subsidies paid to producers which amounted to 1.7 billion Fr.Pac. over the decade. In 1980, copra exports were at much the same level as in 1970 in nominal value but two times lower in real terms. Vanilla production followed a similar trend, with the volume exported dropping from 28 tonnes in 1970 to less than 2 tonnes in 1982 and its corresponding value slipping from 47 million Fr.Pac to 13 million Fr.Pac. Coffee exports had ceased completely during the mid-1960s, and gathering for local needs averaged 120 tonnes a year. From 1975, market prices and prices paid to producers recovered and reverberated on market volume and value which jumped to 168 tonnes and 60 million Fr.Pac. in 1980. Unfortunately, the recovery was short-lived, hampered by imports of cheaper coffee from New Caledonia and instant coffee from overseas (more than 220 tonnes in 1980). Mother-of-pearl production also decreased despite improvements in prices. Quantities dropped from 185 tonnes to 26 tonnes and the value fell from 42 million Fr.Pac. to 8 million Fr.Pac., mainly because of exhausted resources.

The fragility of the tertiary and secondary sectors. After experiencing rapid growth in the 1960s, the tertiary sector consolidated its position in the 1970s such that, by 1980, it represented more than two-thirds of the Territory's GDP. Though dropping slightly in favour of the secondary sector, mainly food-processing industrial units, three out of four people (in an active population of 52,500 people) were working in so-called tertiary activities in 1980 rather than one out of two, in 1970.

From 1970-80, the contribution from tourism rose from 1 billion Fr.Pac. to 8.5 billion Fr.Pac. and the number of visitors doubled along an uneven path marked by a sharp break in the aftermath of the two worldwide 'oil shocks'. As for other services such as transport, telecommunications and housing, expenditures rose appreciably. Banking, insurance and other professions also developed and micro-data processing had a promising start. Nevertheless, services remained a fragile branch of activity insofar as they depend heavily on tourist inflows and on expatriate civil servants.

Trade and manufacturing were also heavily reliant on the civil and military public administrations which made up the bulk of the demand. Gross margins on imported products represented 95 per cent of the local trade turnover at the end of the 1970s and they had grown more rapidly than the GDP, jumping from 6 billion Fr.Pac. to 28.5 billion Fr.Pac. over the decade. Rising margin rates combined with more expensive imports were translated into increased costs of living. In ten years, the trade balance deficit had grown from 11 billion Fr.Pac. to 32 billion Fr.Pac. In 1980, local products represented 7 per cent of the value of exports instead of 33 per cent in 1970 and 1.5 per cent of the value of imports instead of 3.5 per cent.

Table 5 Local products exports, 1960-89 (tonnes)^a

Year	Phosphates	Green coffee	Vanilla	Copra	Coconut by-products ^a	Mother-of-pearl	Trochus	Fresh fruits	Pearls ^b
1960	377,462	114	179	23,915	450	645			
1961	368,784	49	223	21,692	467	513			
1962	326,735	85	181	26,855	433	298			
1963	321,247	106	194	23,200	419	309			
1964	374,117	29	165	24,876	88	402			
1965	318,620	-	132	21,103	-	149			
1966	200,113	-	115	20,222	-	185			
1967	-	-	59	15,830	-	130			
1968	-	-	76	17,064	-	183			
1969	-	-	55	17,529	-	183			
1970	-	-	28	14,969	-	185			
1971	-	-	27	10,252	-	72			
1972	-	-	24	14,027	-	75	126		1,563
1973	-	-	19	13,975	-	19	261	149	800
1974	-	-	11	7,825	-	24	72	245	3,891
1975	-	-	8	13,347	-	5	-	124	15,631
1976	-	-	7	14,356	-	5	12	80	6,111
1977	-	-	9	9,656	-	4	107	121	6,128
1978	-	-	3	7,216	-	3	130	162	49,982
1979	-	-	3	9,555	-	16	238	69	86,092
1980	-	-	2	11,815	-	26	61	93	28,779
1981	-	-	..	10,329	53	9	..	75	86,527
1982	-	-	1	11,006	118	12	151	94	32,310
1983	-	-	5	7,334	81	54	58	55	139,888
1984	-	-	2	3,010	69	40	-	62	112,183
1985	-	-	3	7,823	36	18	39	2	206,463
1986	-	-	3	7,825	71	96	-	18	104,265
1987	-	-	4	9,278	32	92	-	-	407,620
1988	-	-	3	5,817	30	121	-	10	446,827
1989	-	-	4	6,731	103	148	-	189	622,433

^aGrated coconut till 1964, and *monoi* from 1981.

^bGrams.

Source: Institut National de Statistiques et d'Etudes Economiques (INSEE), *Census Reports*; Institut Territorial de la Statistique (ITSTAT), *Tableaux de l'Economie Polynésienne*, 1985; Institut d'Emission d'Outre Mer (IEOM), *Rapports Annuels d'Activité*.

The growth of social imbalances

The presence of the CEP speeded up the already apparent rural exodus and the concentration of people in urban areas, a side effect which intensified the inequalities already existing between Tahiti and the outer islands.

The rural exodus and rampant urbanization. Papeete has remained the only significant town in the Territory since the mid-nineteenth century when it was selected as the French administrative headquarters. Since then, its population has steadily increased as a result of natural growth and a

long-standing migratory process from rural districts. As early as 1956, half the Territory's population was concentrated in Tahiti and half that island's population was in Papeete, a proportion reaching 70 per cent if the suburban zones of Pirae and Faaa are included (Table 6). At the beginning of the 1960s, the rate of rural-urban migration increased in response to new job opportunities in the building of Faaa airport and the making of the Hollywood movie 'Mutiny on the Bounty'. When the CEP became active on a much larger scale in 1963, the burgeoning population of Papeete overflowed onto the alluvial plain between the mountains and the sea. Where the settlement had once been scattered, it was now densely occupied, with infilling and restructuring occurring in the town centre. Furthermore, social segregation began to occur: the most impoverished people, for whom urban life had failed to meet their expectations, were relegated to bleak and insalubrious valleys where they packed into slums. The most privileged people managed to escape the city centre, now dominated by business and administrative services, for a more seductive periphery where gorgeous houses rapidly sprang up beside the sea and on terraced hillsides.

Table 6 Growth and geographical distribution of Tahiti population - 1962-88

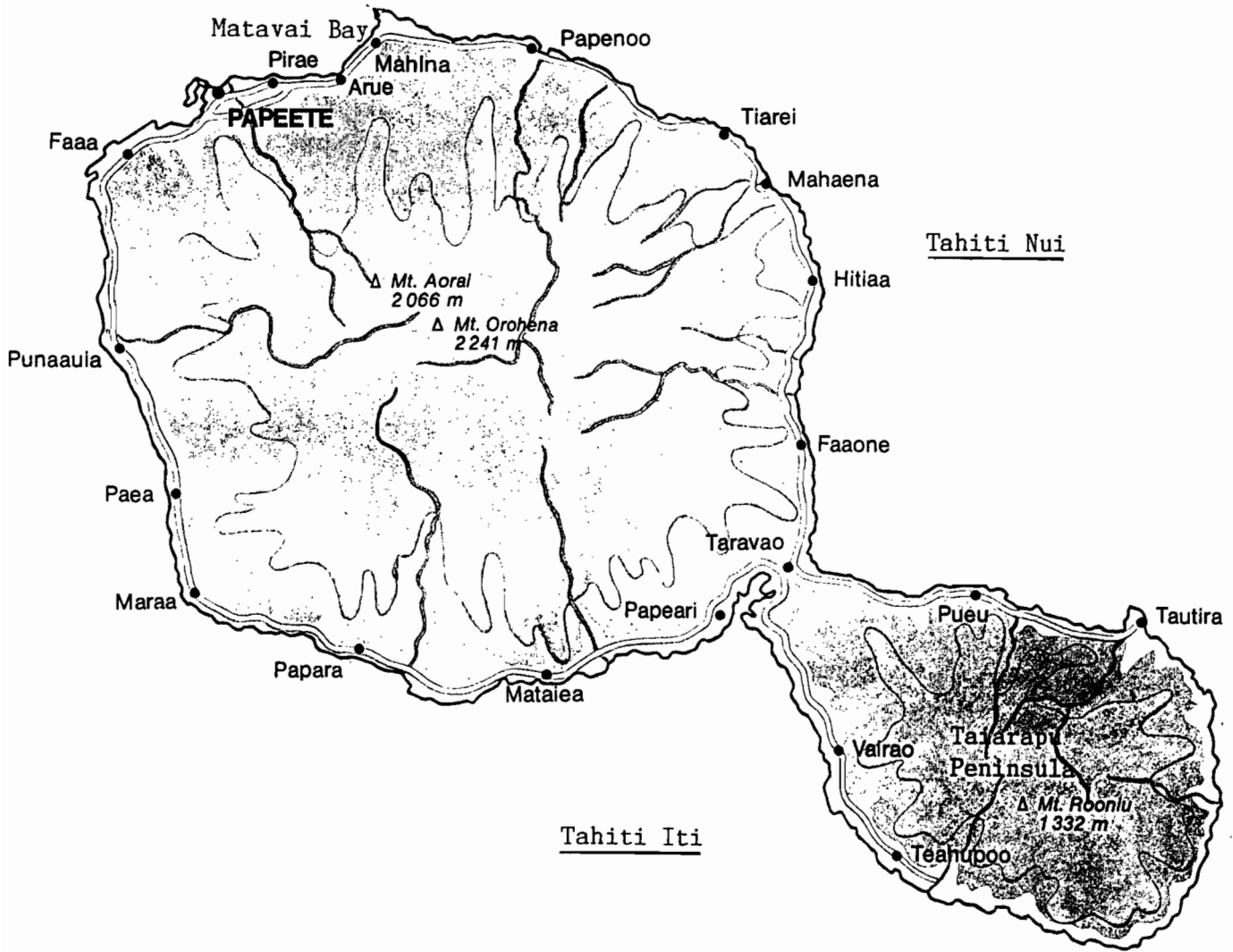
	1962	1967	1971	1977	1983	1988
Papeete						
Population	19,903	22,278	25,342	22,967	23,496	23,555
% of total Tahiti population	43.8	36.2	31.9	24.0	20.3	17.9
Inner suburbs^a						
Population	7,883	15,207	22,402	29,020	33,950	37,414
% of total Tahiti population	17.3	24.7	28.2	30.3	29.3	28.5
Outer suburbs^b						
Population	7,728	11,839	17,441	25,794	35,848	42,888
% of total Tahiti population	17.0	19.2	21.9	27.0	30.9	32.7
Urban zone						
Population	35,514	49,324	65,185	77,781	93,294	103,857
% of total Tahiti population	78.2	80.2	82.0	81.4	80.6	79.1
Tahiti island						
Population	45,430	61,519	79,494	95,604	115,820	131,309
% of total Tahiti population	100.0	100.0	100.0	100.0	100.0	100.0
Tahiti/French Polynesia						
Per cent	53.7	62.5	66.7	69.6	69.4	69.5

^aPirae, Faaa.

^bArue, Mahina, Punaauia, Paea.

Source: Institut National de Statistiques et d'Etudes Economiques (INSEE), *Census Reports*; Institut Territorial de la Statistique (ITSTAT), *Tableaux de l'Economie Polynésienne*, 1985.

Map 2 The island of Tahiti



Until the 1950s, Papeete and its rural districts were clearly separate entities, each with a population of some ten thousand people. In the 1960s, it became convenient to incorporate the districts of Pirae and Faaa into the urban zone (Map 2). From 1965, the urban zone expanded to the neighbouring districts of Arue and Mahina on the east coast and Punaauia and Paea on the west coast. The so-called urban zone swelled from 28,975 inhabitants in 1956 to 92,294 in 1983, giving an average annual growth rate of 8.2 per cent (compared with 7.5 per cent for Tahiti and 4 per cent for the Territory as a whole). Such growth was far from uniform and varied from an average 1.1 per cent a year in Papeete to 27 per cent in Faaa. Initially, the growth rate was higher in the immediate suburbs of Papeete, Pirae and Faaa, and also in Arue where the CEP's base was located. In the mid-1960s, the growth mainly affected the outer suburbs and, from 1971, the population growth rate of Papeete slightly decreased in favour of the urban periphery. By 1983, people living in Papeete represented only 19 per cent of the island's population compared with 50 per cent at the end of the 1950s.

The unrelenting expansion of political, administrative, financial, commercial and industrial functions in Papeete encouraged land speculation to the point that downtown land became more expensive than that on the 'Champs-Elysees' in Paris, rising from 5000 Fr.Pac. per m² in 1970 to 50,000 Fr.Pac. in 1980 and 80,000 Fr.Pac. in 1985. Rocketing prices were a contributing factor in the development of housing outside the town resulting in more than 60 per cent of people working in Papeete having to commute every day.

The Territory's worsening imbalances in population distribution and employment. The urbanization of Tahiti exacerbated the deepening inequalities existing between the core island of Tahiti and the peripheral archipelagos. From 1956 to 1983, the population living in Tahiti rose from 50 per cent to 70 per cent of the population of the Territory while the population of distant archipelagos dropped from 25 per cent to 15 per cent. The rural exodus was particularly devastating in the Tuamotu-Gambier archipelago which lost a third of its inhabitants between 1962 and 1967, with most of them migrating to the Windward Islands, especially to Papeete, where 40 per cent of them settled in the urban zone.

This trend slowed during the 1970s and, in many remote islands, the situation of the late 1950s had been restored by the time of the 1977 census. From 1977-83, the rate of population growth was the same in the Marquesas and Austral islands as in the Windward Islands and Tahiti. Surprisingly though, the populations of distant archipelagos began to grow slightly faster than the average rate but, despite a limited recovery, remote islands were still at a disadvantage demographically. Except in the

Tuamotu-Gambier archipelago, where people remained to work on nuclear sites, most of the islands experienced an outmigration of the active population leaving children as the most numerous sector of the population.

At the beginning of the 1980s, 74 per cent of the Territory's population and 74 per cent of its workforce were registered in Tahiti and Moorea but the proportion of salaried people in the two islands was as high as 84 per cent compared with the average of 59 per cent. People born outside French Polynesia, who numbered 23,000, were concentrated in these two places, with four out of five of them having migrated there within the past five years.

The distribution of people according to their work activity showed the same geographical imbalance. As might be expected, a large majority of business people (92 per cent) were located in Tahiti and Moorea as against only 32 per cent of fishermen and farmers. Tertiary employment was also largely predominant there with almost three out of four people working in business and services instead of one out of two on average.

According to the 1983 census, 42 per cent of the active population were dependent on administrative jobs and, for the first time, public servants were more numerous than farmers and fishermen, a situation which indicated the key role now being played by the public sector. Ethnic disparities were also apparent in the census data. The highest activity rates (65 per cent) were for Chinese and Europeans, the lowest (52 per cent) were for Polynesians. Polynesians, who made up two-thirds of the population, represented 63 per cent of the employed manpower. For Chinese and Europeans, who made up only 16 per cent of the population, the figure was 23 per cent. Conversely, unemployment rates were twice as high among Polynesians. An even wider gap was to be found in schooling where 71 per cent of Europeans and 42 per cent of Chinese had a high school education compared with only 20 per cent of Polynesians.

The search for remedial policies

As soon as the CEP infrastructures were completed, public authorities began to look for remedies to the deepening social imbalances and for a successor to the Centre whose presence could only be transitory. Accordingly, they tried to offset its declining activity by reinforcing local production.

The encouragement of local production – agriculture, tourism, fishing and energy. The modernization of agriculture was given priority as one of the most effective means of improving the situation. Copra cultivation was promoted and a local oil-mill was built in 1968. Food production was also encouraged, with some emphasis put on market gardening. Within a few years, fruits and vegetables began to compete with

starchy, tuber foods such as taro tarua, fe'i and sweet potatoes, the traditional basis of local consumption. With the help of the rural economy service, new systems of production were started based on melons and water-melons in the Leeward Islands, especially in Huahine, Maupiti and Tahaa, potatoes in the Austral Islands (Rurutu) which benefits from a relatively moderate climate, pineapples in Moorea and flowers in Tahiti (roses and gardenias, the well-known 'tiare Tahiti').

In animal husbandry, efforts were made to meet local demand despite constraints of scarce and expensive pasture. Local pork production met 90 per cent of demand in 1980 but beef only 5 per cent. As for food consumption generally, habits changed rapidly through the 1970s and production turned towards local demand rather than towards traditionally exported staples which became increasingly less profitable. Unfortunately, the shift did not occur under favourable circumstances and production did not progress fast enough, so resulting in an increased dependence on the imported product.

The encouragement of agriculture was paralleled by a willingness to find new catalysts for development which would boost the economy and eventually replace the CEP. Efforts were particularly aimed at tourism and fisheries, where their progress from subsistence/informal activity to industrial activity could be promoted. Substantial investment was required to meet such objectives, and capital was sought from France and elsewhere. Two big hotels (by international standards), the 'Maeva Beach' and the 'Taharaa', were opened at the end of the 1960s, and smaller ones were built in the early 1970s. Optimistic targets set for the period of the Sixth Plan (1971-75) aimed at raising total hotel capacity from 1000 rooms to 7000 rooms and related employment from 2500 to 7000 jobs, so as to cope with the 240,000 tourists expected in 1975. Unfortunately, the number of tourists had still not reached 100,000 by the beginning of the 1980s and the industry had only provided 2000 rooms and 2000 jobs (Table 7).

In the fishing sector, the tuna industry was singled out for special attention. Several experiments were made concerning live bait catching and the construction of appropriate vessels. These proved to be inconclusive and industrial tuna fishing continued to be carried out by pole-and-line Asiatic vessels working under difficult conditions. Similarly, the local fishing industry did not expand much further, reaching a maximum of 2000 tonnes of marketed fish in the early 1970s.

Table 7 Tourism trends in French Polynesia, 1960-89

Year	Number of visitors	Number of rooms ^a	Average length of stay (days)
1960	4,087	61	12.0
1965	14,830	336	7.0
1970	48,809	1,230	6.1
1975	82,822	1,822	6.4
1980	88,959	2,114	6.1
1985	122,086	2,662	7.7
1989	139,705	2,824	9.3

^aClassified hotels.

Source: Office de Developpement du Tourisme (now OPATTI), *Annual Reports*.

From 1975 onwards, the worldwide recession and the slowdown in the CEP's activity acted as incentives to turn away from industrial-scale development to small-scale activities. These were considered a more appropriate way to reduce import dependency and increase self-sufficiency insofar as they were labour intensive, capital saving and local resource based. Special attention was given to exploitation of marine resources which appeared very promising following the extension of territorial waters to 200 miles and the creation of an exclusive economic zone (EEZ) in 1978. Five years earlier, an oceanographic centre, the 'Centre Oceanologique du Pacifique' (COP) had been established in Tahiti by the French Institute, 'Centre National d'Exploitation des Oceans'. According to the agreement with territorial authorities, the Centre was to focus on river prawn aquaculture, seed oyster and mollusc culture as well as live bait culture. By the early 1980s, most experiments had not progressed beyond this stage, although prawn culture was monitored well enough to be transferred to the private sector. Conversely, live bait fishing research led to the conclusion that local resources were too scarce to allow any large scale development of the tuna industry. The culture of black pearls, initiated in the late 1960s by a private company, was more successful. In 1980, it involved ten private enterprises and thirteen cooperatives and represented one-sixth of the export value of local products.

At the time, the COP was also considering exploiting sea thermal energy and examined the possibility of setting up a power station using superficial water at an average temperature of 25° as the heat source and of deep water at an average temperature of 4° as the cold source. The implementation costs of a 15 megawatt power plant were estimated to be some 10 billion Fr.Pac., a figure close to that of the Papenoo hydro-electric dam project which got into difficulties when ENERPOL, the company in

charge of its implementation, went bankrupt in 1979 leaving 500 million Fr.Pac. unpaid.

A less expensive and more profitable program of renewable energy, involving close links between the Territory and the 'Commissariat a l'Energie Atomique' (CEA), started in 1978. It was oriented towards solar refrigeration and air conditioning as well as freshwater pumping in the atolls, using systems of windmills and photo-cells. This was later complemented by electrification using the same processes and by saltwater desalination units operating through reverse osmosis in association with windmills.

In Tahiti, the only source of energy had been thermal electricity produced and distributed by the private company 'Electricité de Tahiti' (EDT). In 1980, two new companies were formed with the aim of producing energy from small hydro-electric power stations built beside rivers in rural areas.

Attempts at diversifying production were also directed towards the secondary sector and the implementation of a small manufacturing industry. A chart for investment, the 'code des investissements' was promulgated in 1966 and was adapted in 1971 and 1976 in order to better cope with small-scale private companies. In addition to the code, a variety of tax exemptions, equipment allowances and subsidies were introduced and modulated according to the distance from Papeete and the number of new jobs created. From 1983 a more differentiated policy came into force, reserving the advantages of the investment code for big business and giving small companies access to specialized funds financed and backed by territorial and national authorities.

Measures to reduce social inequality. A series of measures was also taken to remedy striking imbalances generated or amplified by the boom years of the 1960s. A social housing program was started in a bid to counter the worst consequences of badly controlled urbanization. Although 1700 flats were built during the 1970s, they brought little benefit to the impoverished people for whom they were intended. According to various housing surveys, poor or non-existent housing concerned 22,000 people in 1982, the same number as in 1969.

Steps were also taken to reduce income inequalities and growing unemployment. Development programs were initiated in 1980 which gave occasional employment to a few hundred people. These were followed by a vast rebuilding program in the aftermath of the destructive hurricanes of 1983. The minimum guaranteed wage (or SMIG) was subject to successive revaluations. From 1977 to 1980, it rose by 95 per cent, as much as over the rest of the decade, while the concomitant rise of the retail price index did not exceed 55 per cent.

In the same way, the worrying gap between wages in the private and public sectors was partly sealed. The minimum guaranteed wage was no longer used as the baseline in public wage scaling. The corrective index used to assess the size of public servants' compensation for expatriation (a privilege extended to territorial public servants in the wake of the CEP installation) was also scaled down. As a result, the discrepancy between average public and private remuneration was reduced by a quarter from 1976 to 1982 but still favoured the public sector by as much as 25 per cent.

Although social insurance was extended to farmers, fishermen and skilled workers from 1980, benefits individually allocated were on average five times lower than in France. Nevertheless these benefits rose at a rate exceeding 20 per cent from 1976-82.

Adapting the metropolitan school system to territorial needs was more problematic. Despite a schooling rate approaching 100 per cent and the implementation of locally adapted programs, the overall failure rate continued to be disturbing. More than half the children in each age bracket were still coming out of school into active life without any qualifications. On the whole, too many children were giving up school at the age of fifteen and too few skilled workers, technicians and executives were to be found on the labour market.

A program of preferential policies for remote islands. Public policies were also aimed at reducing disparities between the urban core and the remote island periphery by encouraging islanders, especially those having migrated to Tahiti, to go back to their home islands and embark on new activities. The key to achieving this was a reduction in their sense of remoteness. Inter-island transport therefore took on a new significance. From 1970-80, the number of airfields increased fivefold and numbers of passengers threefold. However, at the end of the 1970s, only twenty-seven out of eighty inhabited islands were regularly serviced by air, and air freight was still insignificant because aircraft were reserved for passenger transport and freight prices were prohibitive in comparison with maritime ones.

A score of small cargo vessels, still named schooners, have erratically serviced distant archipelagos since the 1950s, along routes and using schedules determined by distance, freight and port installations. A 1977 census listed a fleet of eighteen vessels with a total carrying capacity of 650 passengers and 4215 tonnes of freight as well as six administrative vessels with a freight capacity of 2000 tonnes. Moorea, the sister island to Tahiti, was serviced by a few coasters, while another cargo vessel, the 'Tuhaa Pae', managed by a semi-public company, linked Tahiti to the Austral islands. Following the census findings, a sea transport plan was drawn up and came into force in 1978, aimed at rationalizing inter-island services. Its

implementation went hand-in-hand with improvements to coastal navigation and the transport of passengers and goods.

Besides improved communications, people living in remote islands were also given subsidies through specialized funds in an effort to stem the rural exodus and foster fishing and copra production as well as pearl culture and tourism. This policy had originated in the 1971 reform which transformed rural districts into territorial collectives supervised at the national level. While lessening Tahiti's control, the reform gave the new communes some financial autonomy through an inter-communal redistribution fund, the 'Fonds Intercommunal de Perequation' (FIP), which was backed by Territorial tax resources and national endowments. It was soon complemented by another fund, the 'Fonds d'Amenagement et de Developpement des Iles de Polynesie Française' (FADIP) aimed at giving islanders the opportunity to stay on the island of their birth or to return there if they had migrated to Tahiti. From 1980-83, financial help given by FADIP amounted to 1.5 billion Fr.Pac. with 44 per cent going to copra producers and the rest to 'revitalizing' operations. Equally significant in financial terms was the aid administered by the Territorial Rebuilding Agency, the 'Agence Territoriale de Reconstruction' (ATR) set up in the aftermath of hurricanes in 1983. Expenditures scheduled from 1984-87 were close to 350 million Fr.Pac. a year. Damage caused by the cyclones also led to intensive coconut regenerating programs which hitherto had been almost at a standstill.

Economic independence: an elusive goal of the 1980s

Attempts at diversifying the economy coincided with a new burst of CEP activity and with reinforced intervention from France. Consequently, the dependent situation of the Territory was intensified at a time when living standards and incomes reached levels far beyond those which might have otherwise prevailed. In order to come to terms with this uncomfortable situation, territory authorities adopted a strategy which combined the philosophy of self-reliance with the pragmatism of metropolitan assistance. This strategy has yet to prove successful.

The search for autonomy and economic independence

Worried about the excessive weight of metropolitan intervention, representatives of the French administration have strived to diversify local resources and make the economy less fragile and dependent. While an import-substitution policy was being formulated at the national level, Territory authorities were instead directing their efforts towards gaining some autonomy from within the political arena. In July 1977, a new statute gave the authorities greater control over various issues and allowed direct

communication with national technical departments. Specific agreements were concluded and specialized bodies came into being. The new statute also opened the door for direct communication between Territory authorities and their counterparts in the South Pacific region.

The French presidential elections of 1981, which ended in victory for the socialists and François Mitterand, paradoxically brought a conservative majority into office in Papeete. Encouraged by the national decentralization reforms, the local government, led by Gaston Flosse, advocated further autonomy in administration (or 'auto-gestion') based on maintaining a strong relationship with France. In August 1984, a new statute upgraded the local government - now consisting of a vice-president and ministers - and gave its members individual and direct responsibility in Territorial affairs and allowed them to have their say in external relations within the South Pacific region. All matters relating to national interest and sovereignty remained within the jurisdiction of the High Commissioner representing the French Republic. Despite some transfer of power to Territory representatives, the new statute had much more to do with metropolitan decentralization than with internal autonomy (as understood by international law).

This became obvious when, within a year, Vice-President Flosse argued in favour of increased autonomy by demanding that all matters not relating to defence, foreign affairs and currency be transferred to the Territory. His successor, Alexandre Leontieff, succeeded in achieving this to some degree. In June 1990, the French Parliament gave the Territory Government greater control over the economy and foreign investment and permitted its president to initiate international negotiations and to represent the Territory and the central government in matters which did not relate directly to issues of national sovereignty.

Over a relatively short period of time, the Territory has evolved from a subsistence economy to a service economy without passing through any transitional stages. As a consequence, it is simultaneously rooted in the past while heading for the future, combining elements of under-development with those of 'over-development'. Its human resources are largely unskilled and under-employed yet, at the same time, its wage-earners are numerous and well-paid with a small number of academics and technicians standing at the forefront of research and development.

Whereas outer islands remain at a disadvantage and are still isolated, sparsely populated and poorly serviced, the urban pole of Papeete is a symbol of modernity and is equipped with a centralized telecommunication system linked by satellite to the outside world. The Territory does not fit readily into the accepted classification of developed/less developed economies and therefore has had difficulty adopting conventional

development programs which assume scarce capital, cheap labour and development from the 'bottom up'. Consequently, Territory authorities have decided to rely instead on modern technology and capital in an attempt to solve the problems from the top downwards by implementing novel programs and promoting high-value, high-quality products.

The pro-independence and anti-nuclear opposition party, Ia Mana Te Nunaa (now associated with the government), has supported this stance. Its leaders argue that because of French Polynesia's economic dependence on France, a long-term program of economic development, over perhaps ten or fifteen years, needs to be implemented to prepare the economic basis for an eventual transition to a genuine independence based on economic self-reliance. At present, the Ia Mana is being overtaken on its left by the Front de Liberation de la Polynesie (FLP) whose leader, Oscar Temaru, advocates immediate independence (Henningham 1990).

Further development of tourism and fishing: the key export earners. This emphasis on economic independence has been focused on the need to encourage key export-earning activities such as tourism and fishing. These activities are viewed as being most able to provide enough export earnings to allow the Territory to sustain itself on a more economically independent basis.

With regard to tourism, the plan was to increase hotel capacity by a third from 1982-85 (900 rooms), i.e. an investment of 8.5 billion Fr.Pac., a significant rise compared with the 1.4 billion Fr.Pac. expenditures made over the past five years. Preference was given to hotel projects involving well-known international chains such as Sofitel, Accord or Hyatt. However, in the first half of the 1980s, the number of visitors stabilized around 100,000 a year and hotel capacity reached a peak of 2100 rooms. In 1985 and 1986 though, the number of visitors increased by 20 per cent and 32 per cent respectively, while hotel capacity grew by more than 600 rooms. This upward trend was related to improved airline services and to an American company operating regular cruises from Papeete to the Leeward Islands. In only two years, the number of American tourists jumped from 46,663 to 98,641. However, this tourist boom did not last long and the number of visitors fell in 1987, 1988 and again in 1990 after a short resumption in 1989. Americans who accounted for 61 per cent of overseas visitors in 1986 represented no more than 36 per cent in 1989. This was as much the consequence of financial troubles experienced by the operator of cruise ships departing from Hawaii as it was the result of the international financial crash of October 1987 and of a devalued US dollar (local prices converted to US dollars were 40 per cent higher at the beginning of 1988 than in 1985). The Papeete waterfront riots of October 1987 also soured the

picture by introducing a sense of fear and insecurity in the minds of potential tourists.

In order to reverse the trend, the Territory launched a plan in 1988 aimed at boosting tourism. Its goal was to double hotel capacity during the 1988-91 period and to tap the Japanese market. This market had opened up following the decision by Air France in May 1989 to resume a weekly flight between Papeete and Tokyo after an interruption of thirteen years. A few months later, the Japanese tycoon and Pacific empire-builder and president of 'Electronic and Industrial Enterprises' (EIE), Harunori Takahashi, became the major hotel owner in the Territory, after his acquisition of the 'Tahiti Beachcomber', the 'Hyatt Regency' and the 'Moorea Beachcomber Parkroyal'. The three hotels had a combined capacity of 500 rooms and their new owner intended to refurbish and add 300 rooms. In addition, Tokyo Coca-Cola Bottling Society acquired a majority interest in the Rangiroa hotel 'Kia Ora' and other Japanese potential investors indicated that they too were willing to work towards achieving the 1991 objective of an overall capacity of 5000 hotel rooms. Unfortunately, this trend was jeopardized by an abrupt fall in international flights servicing Tahiti. In 1989, Continental Airlines stopped its two weekly flights from Los Angeles and Auckland. Qantas and Air New Zealand began operating direct non-stop flights between Sydney/Auckland and the United States; and even UTA, the French airline now under Air France control, withdrew a weekly flight.

In the exploitation of marine resources, the administrative authorities continued to encourage the construction of medium-sized, multi-purpose vessels capable of bringing about a progressive industrialization of fishing. Publicly-financed experiments concerning *superbonitiers* and *bonitiers polyvalents* (intended to supersede the old-fashioned and less profitable skipjack boat or 'bonitier') experienced setbacks and proved to be costly. A small speedboat, locally named *poti marara*, instead came to the fore without any public assistance and was successfully adapted by local fishermen for multi-purpose fishing inside and outside the lagoon. Today, it competes successfully with *bonitiers* thanks to its much cheaper operating costs.

Until very recently, aquaculture has generally fallen short of early expectations and has not generated marketable quantities except for fresh water and marine shrimps, of which 20 tonnes and 58 tonnes respectively were marketed in 1989 by half a dozen private, semi-public and public farms (AQUAPAC, EVAAM (Opunohu), Lagarde, SOPOMER and Tairapu-Aquaculture). On public initiative, a versatile hatchery is under way and should substitute the COP's experimental hatchery for commercial purposes.

The most successful venture over recent years has been black pearl culture with an export value which has surpassed that of copra since 1983. Amounting to 622 kilos and worth 3.8 billion Fr.Pac. in 1989, it represented 83 per cent of the value of locally produced exports. Black pearl culture employed some 2000 people in 104 cooperatives, sixty-three family businesses grouped in *Poe Rava Nui* associations and twenty private companies which alone generated 80 per cent of the total output. Pearl farming, despite its recent success, remains commercially hazardous as illustrated by the number of farms struck by an unknown disease causing high oyster mortality.

The recovery of tuna prices on the world market (skipjack was US\$660 per tonne in 1985 and US\$1000 per tonne in 1988) and the discovery in 1986 of a new fishing ground for young albacores (in an area situated between latitude 35°S and 41°S and extending approximately from Pitcairn to New Zealand), reinforced the Territory's commitment to establishing an industrial fishery. When US vessels started to land albacore in Papeete a semi-public company, POMAFREX, was created to buy and resell the fish caught inside the territorial exclusive zone by foreign fleets and outside by American long-liners. Some local businessmen bought American vessels and also went fishing for albacore.

In 1988, a plan of action for the development of an industrial fishery was drawn up under the patronage of the Territory, the State and the EEC. It was twofold: first, 18 tuna boats were to be built from 1989-93 (14 of them, 22m in length, for fishing the Southern albacore grounds, and four, 17m in length, for fishing inside the EEZ);¹ second, two industrial fishing bases were to be set up at Rapa in the Austral archipelago and at Nuku Hiva (Taiohae) in the Marquesas archipelago, the first one being not far from the new albacore fishery in the south and the second being close to the main territorial tuna fishing grounds in the north. Work on the Taiohae base should get under way early in 1991, and the base will consist of a refrigerating plant, a petrol depot and warehouses, offices and a 100m long wharf. The estimated costs are 1.4 billion Fr.Pac. for Taiohae base and 1.8 billion Fr.Pac. for the tuna fleet. This operation is the biggest ever mounted in the Territory for the fishing sector. It is also a risky one given the lack of knowledge concerning potential tuna resources and the ability (or the will) of Polynesian people to adapt to the rigours of industrial fishing. Like the major investment made by the Japanese EIE Corporation in the tourism sector, the venture follows from the initiative of the territorial government and has been facilitated by the extended autonomy allowed by the new statute.

¹Two boats have now been built by the Piriou shipyard in Brittany and the others are to be constructed in a specially-built territorial shipyard.

The Territory, through its extended autonomy, is also looking to set in motion a phosphate mining project on Mataiva atoll. Located 300km north of Tahiti, the atoll is believed to contain 20 million tonnes of high grade phosphate. As early as 1976, a project joint-venture, the GIE Raro Moana, was created but not put into operation. With Nauru mining now approaching its closing stages, the GIE partners (Newmont Australia Ltd (49.5 per cent), French BRGM (26 per cent) and Cominco Ltd (24.5 per cent) are pressing to go ahead and the territorial government has recently given top priority to the venture. It would cost 11 billion Fr.Pac. and could bring in 2 billion Fr.Pac. in taxes a year.

The problem of trying to reverse established economic trends

A still inadequate productive base. The continuing decline of the primary sector is marked by the fact that its added value represented a mere 3 per cent of GDP in 1990 compared with 5 per cent in 1980. It involved 11.8 per cent of the active population in 1988 compared with 13.9 per cent in 1983 and 17.6 per cent in 1977. In keeping with the world slump, copra prices were still on the way down and copra oil exports, which were 11,815 tonnes in 1980, fell to 7703 tonnes in 1989. Over the decade, annual production averaged 8000 tonnes rather than 16,000 tonnes in the 1970s and 30,000 tonnes in the 1950s. As a consequence, copra had come to represent barely 7 per cent of locally produced exports; in 1980, its share had been 50 per cent. Production wrecked by the hurricanes of 1983, had not recovered, and a regeneration program failed because of problems concerning prices, land appropriation and a lack of motivation from people becoming increasingly accustomed to public service wages and salaries.

The same situation has occurred with staples such as vanilla and coffee despite public efforts to boost them. A program to revive vanilla culture was launched in 1983 with the help of the EEC; however, vanilla exports were only four tonnes in 1989. The production of coffee for local needs was only ten tonnes in 1989 and, disappointingly, a roasting-plant put into service in 1983 had to turn to overseas green coffee imports of which were as high as 209 tonnes in 1989 (roasted and instant coffee imports being 250 tonnes).

As for other agricultural food products - traditional produce as well as European and Chinese vegetables, meat and poultry - the total marketed production amounted to 8000 tonnes in 1989, a figure close to that for 1980, while imported foodstuffs had grown by 47 per cent, from 81,806 tonnes in 1981 to 120,338 tonnes in 1989. However, marketed fruit production (pineapples, grapefruits, pawpaws, lemons, mangoes and oranges) increased almost fourfold (from 2044 tonnes in 1980 to 7658 tonnes in 1988), mainly because of a strong demand from the juice plant

built in Moorea in 1980 which now delivers more than 2 million litres of juice a year and has had to turn to overseas markets to further its expansion.

Despite progress made in fruit production, aquaculture and pearl culture, the overall development of agriculture and fisheries during the 1980s has been rather disappointing. This is particularly so in relation to capital investment, research and development, and the administrative efforts made to come to terms with declining production and a population increasingly more involved in the service/administrative sector than in the primary sector. From 1983 onwards, several public funds, such as the FSIDA for agriculture and the FSIDEP for fishing, have been created in order to encourage productive activity. However, from an economic point of view, the results of such assistance do not appear at all encouraging. Professor François Doumenge has recently pointed out that most programs for reviving agriculture in the South Pacific islands have proved ineffective and expensive, only resulting in the recycling of public money and encouraging the proliferation of civil servants. In 1988, every tonne of copra produced in the Territory was subsidized by as much as US\$852 at a time when the average world market price was only US\$399 on the Rotterdam exchange market. The same can be said for potatoes grown in the Austral islands, where the administration took responsibility for preparing the land, harvesting and transporting the crop (but not its marketing), while the islanders and owners of the land had only to throw the tubers into the furrows (Doumenge 1990).

By contrast, pearl culture was successfully initiated by private enterprise in the 1970s without any public assistance. It was only when the black pearls became fashionable and their culture proved to be a profitable venture that public authorities encouraged islanders to turn to this activity and to organize themselves into cooperatives.

Most ventures in the industrial sector have not been as successful and the sector contribution to GDP has not changed significantly between 1980 and 1990 (from 21 per cent to 22 per cent). The secondary sector employed 17.7 per cent of the active population (11,386 people) in 1988 compared with 18.5 per cent (7949 people) in 1977 (Table 8). Its overall contribution was still modest but its internal structure had evolved throughout the 1980s as was the case of the energy sector. Electricity production, which was initially exclusively of thermal origin, had diversified and doubled in volume, jumping from 131 million kwh in 1980 to 271 million kwh in 1989. There was also a significant rise in hydro-production which, having started in 1982, represented 23 per cent of the total production only seven years later. Hydro-electricity is expected to meet 50 per cent of electricity needs in 1994 concurrently with solar energy. Other renewable energy

experiments for developing wind, biomass and thermal ocean energy were also under way.

Table 8 **Distribution of economically active population by sector of activity**
(per cent)

Sectors	1962	1971	1976	1980	1984	1989
Agriculture	46	19	17	15	14	12
Industry	19	33	18	16	19	18
Services	35	48	65	67	67	70
Total	100	100	100	100	100	100
Number	27,000	..	42,000	49,400	58,150	64,006

Source: Institut National de Statistiques et d'Etudes Economiques (INSEE), *Census Reports*; Institut Territorial de la Statistique (ITSTAT), *Tableaux de l'Economie Polynésienne*, 1985.

In 1988, construction and public works was still an important sector employing 5548 people or 9 per cent of the active population. Although this was more than in tourist-related activities, where 4150 people were working in hotels, restaurants and bars, the workforce in the construction sector had decreased by 10 per cent since the 1983 census. In the wake of the hurricanes of 1983, construction had been boosted; this was then followed by hotel investments until 1986 (tourism investments were 6 billion Fr.Pac. from 1983-85 but less than 2 billion Fr.Pac. from 1986-89). Public authorities then managed to sustain construction and civil engineering by promoting administrative building and encouraging individual housing developments. An ambitious social housing project, involving the State and the Territory, was set up in order to build an average of 250 houses a year as well as road infrastructures from 1989-93.

Efforts have also been made in the manufacturing industry, especially in the agribusiness field where industrial production covers everything from fruit preserves and fruit juice to dairy products, meat and fish preserves and coconut oil preparations. From 1983-88, employment in food manufacturing activities grew by 47 per cent, from 3075 people to 4526 people. Through the investment code and special funds created in the mid-1980s,² territorial authorities have consistently tried to reduce economic dependence and develop new industries notwithstanding constraints born from distance, high costs of production and a limited local market. The result has been the creation of several dozens of small industrial units

²Among them, the 'Fonds spécial d'intervention pour le développement des petites et moyennes entreprises et du secteur des métiers (FSIDEM), the 'Fonds special pour le développement de l'artisanat traditionnel' (FSDAT) and the 'Fonds territorial pour l'emploi et la formation professionnelle (FTEFP).

which partly meet the local demand and are based on imported or local raw products. According to the territory's own Institute of Statistics (ITSTAT), there were 1257 small or medium industrial firms in 1989 (apart from energy, construction and public works) and 95 per cent of them had less than ten employees.

A strengthened tertiary sector. Without doubt, the strength of the economy lies in the tertiary sector which contributed 75 per cent of GDP in 1990 (Table 9). It employed 45,115 people in 1988, or 70 per cent of the active population, a higher proportion than in 1983 (67 per cent) and 1977 (64 per cent), with the public sector accounting for 22,369 people and 35 per cent of the active population (37 per cent in 1983). The 1988 census findings indicated that employees and clerks had become the most numerous socio-professional category and had increased by 28 per cent since 1983 while numbers of rural workers had declined by 14.8 per cent. As for salaries, 90 per cent of them originated in the tertiary sector and 63 per cent of these were paid by the Administration.

Table 9 Distribution of added value by sector of activity, 1960-90 (per cent)

Sector of activity	1960	1965	1970	1975	1980	1985	1990
Primary sector	39	16	7	5	5	4	3
Secondary sector	15	24	13	17	21	21	22
Tertiary sector	46	60	80	78	74	75	75
Total	100	100	100	100	100	100	100

Source: Institut National de Statistiques et d'Etudes Economiques (INSEE), *Census Reports*; Institut Territorial de la Statistique (ITSTAT), *Tableaux de l'Economie Polynésienne*, 1985.

As in 1980, trade contributed to a quarter of the GDP in 1990 and was still closely related to public expenditures and wages. In turn, it depended on imports, though to a lesser extent than in the 1970s. Imports amounted to an average 34 per cent of the GDP in the 1980s compared with 53 per cent in the 1970s. Net margins were about 48 per cent of the value of imported goods in 1984 as in 1976. Since then, they have been reduced as a consequence of the economic slowdown, the higher territorial taxes and the stronger competition following the arrival of metropolitan distribution networks of large supermarkets (Euromarche, Tropic Import) and medium stores specializing in furniture and household appliances (But, Conforama). According to a census by the territorial Institute of Statistics, trading activities incorporated 1800 enterprises and employed 8000 people in 1989 with 85 per cent of the enterprises employing less than five people.

Services, apart from administration, also contributed to a quarter of GDP in 1990. Tourism was the most important of them with an added value of approximately 6 per cent of GDP. While employment directly related to tourism involved 4150 people in 1988, some 3724 people were employed in transport and telecommunications. It was here that the policy of drawing the remote islands closer to the 'core' and of developing relations between the Territory and the outside world had been most successful. The development of modern means of communication over the 1980s had led to drastic changes in lifestyles in relation to air and maritime transport and telecommunications. From 1979-89, international air traffic rose by 49 per cent from 255,874 passengers to 381,762 passengers (with a peak of 405,842 in 1986), from a weekly capacity of 3200 seats to 12,345 (with a peak of 18,840 in 1988) and from four to nine international carriers (with the French airline UTA transporting only 26 per cent of passengers in 1989). As for domestic inter-island air services now under territorial control, passenger numbers were lower in 1989 (400,055) than in 1979 (480,813) but 39 islands were now being regularly serviced instead of only 27, and the aircraft fleet had been considerably updated (with ATR 42s having replaced the Fokkers, and Dorniers now replacing the Twin-Otters). Inter-island maritime transport, which is operated as a public service, has also improved dramatically since 1978 when it was reorganized and rationalized. The local fleet made up of some twenty small cargo vessels has been totally renewed and traffic has jumped from 17,864 passengers and 15 tonnes of freight in 1980 to 52,185 passengers and 274 tonnes of freight in 1989.

The continuing improvement of telecommunications links between Tahiti and the outer archipelagos has been reinforced through a Five Year Plan (1986-90) and allocation of 5 billion Fr.Pac. An automatic phone and radio-telecommunication system, operating through a network of 25 peripheral land stations connected to satellite via the main station of Papeete in Tahiti, has commenced operation. Since 1989, every island in the Marquesas archipelago has been connected to the automatic network through two land stations built in the north and the south of the archipelago, allowing islanders access not only to the phone but also to telex, fax and minitel facilities. In 1990, radio-maritime communications were in turn modernized with the implementation of a new VHF radio-maritime station.

Deepening social and economic imbalances. Despite improved infrastructures, public assistance and injection of funds, the overall economic and social situation of the Territory deteriorated in the latter half of the 1980s. The 1988 census showed that regional and social disparities were still increasing. Seventy-four per cent of the Territory's population was concentrated in Tahiti and the Moorea islands while distant archipelagos saw a decline in their relative share of population (13.9 per

cent of the overall population in 1988 compared with 14.8 per cent in 1983). Only in those atolls where pearl culture was developing as a new commercial activity did population figures show any stability; elsewhere the trend was one of out-migration to the core areas of the Windward Islands. It was here, in the Windward Islands (Tahiti and Moorea/Maiao) that 80 per cent of the Territory's tertiary activities and only 34 per cent of farmers and fishermen were located. Administrative personnel represented 42 per cent of the active population and rural workers only 32 per cent. From 1983-89, the annual growth rate of the population slipped from 3 per cent to 2.5 per cent – a result of a 3 per cent birth rate, 0.5 per cent death rate and the cessation of the migratory flows of the early 1980s from France and New Caledonia. Between 1981 and 1985, many French people migrated to Tahiti because of unfavourable economic, political and social circumstances in France and New Caledonia; French Polynesia, ruled at this time by a conservative government, appeared a safer haven for capital investment and for resettlement. The trend was reversed when the conservatives were returned to office in France in 1986 and when social disruptions occurred in Papeete in 1987. The shift was reinforced by concomitant adverse economic factors ranging from the international stock market crash and the depreciation of the US dollar, to the departure of some 700 expatriate military personnel working for the CEP. More than 4000 French left the Territory between January 1986 and August 1988. As a consequence, Europeans of non-mixed race made up only 10.5 per cent of the population in 1988 compared with 11.6 per cent in 1983.

In 1988, Polynesian people still formed the bulk of the population (66.5 per cent); when Polynesians of mixed race are included, the proportion rises to 82.8 per cent. Once again, the findings of the census showed sharp economic and social disparities along ethnic lines. Polynesians were still considerably under-represented in highly qualified jobs (only 15 per cent of professional and administrative staff and 12 per cent of management staff) and over-represented in non-qualified jobs (82 per cent of unskilled workers). They also accounted for 83 per cent of unemployed (97 per cent if including Polynesians of mixed race). Conversely, Europeans, who were 10.5 per cent of the population, accounted for only 2 per cent of unskilled workers and 1.5 per cent of unemployed but 68 per cent of administrative and professional staff and 59 per cent of management staff.

The overall employment figure has deteriorated and the unemployment rate has increased from 3.8 per cent of the active population in 1977 to 11.2 per cent in 1983 and 15.1 per cent in 1988. At the time, 11,387 people were officially unemployed, 93 per cent of them living in the Society Islands, 78 per cent being under 30 years of age, and 51 per cent having received no more than a primary school education. According to the

Institute of Statistics, the present population growth rate requires the creation of 2200 jobs a year to stabilize unemployment at its present level from now till the year 2000.

To some extent, public intervention has succeeded in limiting the scale of these inequalities. From 1980-89, the minimum guaranteed wage rose by 28 per cent in real terms and most salaries are currently over 100,000 Fr.Pac. a month. The rise was higher in the private sector than in the public sector, thereby reducing the gap between the two. However, the scale of the disparities remained striking (Table 10). In 1989, average wages in the public sector were twice the minimum guaranteed wage and a third of public salaries were over 220,000 Fr.Pac. In the rural sector, as in construction and public works, two-thirds of salaries were under 110,000 Fr.Pac.

A more equitable distribution of incomes was attempted with transfers being made through allocation of social benefits. Such payments by the Territorial Provident Society, the 'Caisse de Prevoyance Sociale', were equivalent to 18 per cent of territorial wages in 1976. They rose to 28 per cent in 1980, 34 per cent in 1984 and 40 per cent in 1989. Another medium for redistributing public money has increasingly been the specialized development funds which manage to combine redistribution with encouragement to develop. The territorial fund, Fonds Territorial d'Intervention et de Solidarite, which centralizes the financial resources of the various funds, distributed 10.4 billion Fr.Pac. in 1989, while national assistance through the FADIP amounted to 241 million Fr.Pac.

Problems have worsened in the housing market which is marked by sharpened social disparities. The downturn of the CEP and the departure of many French metropolitans have combined to push down the flourishing and inflationist upper range of the real estate and rental market. Rental value of residential housing has decreased since 1987, as has speculative investment. In 1988 and 1989, rents rose less than the consumer price index. However, the Territory office for social housing, the 'Office Territorial pour l'Habitat Social' (OTHS), failed to cope with spreading slums and the growing inability of disadvantaged people to house themselves properly. The Territory and the State have had to work together in creating a new semi-public company, 'Fare de France' to implement construction of some 1000 houses between 1989 and 1993.

Table 10a Minimum wage trends, 1975-89

Year	Minimum wage rates (Fr.Pac./hour)	Average annual growth rates of minimum wage	Average annual rise of consumer price index
1975	85.50	12.1	16.0
1976	91.25	6.7	7.9
1977	101.00	10.7	6.1
1978	153.20	51.7	6.7
1979	171.00	11.6	11.3
1980	196.91	15.2	10.5
1981	235.84	19.8	16.7
1982	294.24	24.8	14.5
1983	348.88	18.6	13.7
1984	402.14	15.3	10.7
1985	438.36	9.0	7.8
1986	447.12	2.0	-0.7
1987	447.12	-	2.0
1988	465.25	4.0	2.6
1989	474.75	2.0	2.9

Source: Institut d'Emission d'Outre Mer (IEOM), *Rapports Annuels d'Activité*; Institut Territorial de la Statistique (ITSTAT), *Tableaux de l'Economie Polynésienne*, 1985.

Table 10b Average monthly wages by sector, 1989

Sectors	Fr.Pac.	Variation (%)
Minimum legal wage (SMIG)	80,233	-
Agriculture, forestry, fishery	115,379	+44
Industry	148,977	+86
Construction, public works	114,254	+42
Trade	141,865	+77
Administration	175,358	+119

Source: Caisse de Prevoyance Sociale; Institut d'Emission d'Outre Mer (IEOM), *Rapports Annuels d'Activité*.

Until now, financial efforts have failed to reverse the depressed economic climate which has prevailed in the Territory since 1987. According to the Institute of Statistics, GDP increased 27 per cent in real terms from 1980-85, i.e. an annual growth of 4.5 per cent on average. Since 1986, it has stagnated in real terms despite the fact that its current value went up by 30 per cent. Most economic and social indicators have remained in the red. Exports of traditional staples continue to decline and exports of new products are still experiencing various problems. Tourism prospects are gloomy despite development efforts and the injection of funds. Pearl culture has to overcome unsolved diseases and competition

from the Philippines and the neighbouring Cook islands where labour is much more cheaper. The building industry and commerce are stagnating and investment is falling. Even imports are slowing relative to GDP, causing concern for the Territory budget which still largely depends on levies and taxes on imported goods. A significant indication of the parlous state of the economy is that capital is no longer flowing into the Territory but is fast moving out. In the absence of a genuine calculation of balance of payments, it is difficult to appreciate the extent to which capital has been lost. According to various estimates, between 22 billion Fr.Pac. and 33 billion Fr.Pac. have left the Territory in 1986 and again in 1987 (half the total being attributable to expatriate public servants). Over just a few days in June 1988, 3 billion Fr.Pac. were transferred to France by expatriates returning home. The total amount of money in circulation increased by only 15 per cent from 1986-90, as against an increase of 105 per cent from 1981-85.

There is also a pervading sense of social depression. According to estimates based on ILO criteria, underemployment has increased sixfold over the past ten years. Housing conditions have worsened in the Faaa and Papeete valleys. Outbursts of social unrest have occurred on occasions: strikes and hotel sit-ins in 1983, riots and vandalism on the Papeete waterfront in 1987, and an orgy of perverted religious fervour on Faaite atoll where six people were burnt to death. Opposition independence parties have gained strength over the decade and in 1990 were represented by five members out of a total of 41 in the Territorial Assembly.

The key element in the Territory's depressed economy is the progressive disengaging of the CEP which has generated uncertainty and loss of confidence in the future. Far from providing alternative directions for development, increased political autonomy has resulted in an upsurge in anxiety and frustration and appears to have committed the Territory to reliance on further assistance from the French state.

The strong grip of metropolitan France. Public administration still plays an important role in the Territory's economy, despite having declined over the past decade. According to the most recent data of the territorial Institute of Statistics, the administration's contribution to GDP, which averaged 30.7 per cent in the late 1970s, fell to 28 per cent from 1981-85 and to 25 per cent from 1986-90. Overall, civilian and military expenditures averaged 36 per cent of GDP over the decade, decreasing from 38 per cent in the first half to 33 per cent in the second half.

CEP expenditures started to decrease in the 1970s, partly because of the change from atmospheric to underground testing, and partly as a consequence of the severe recession which had damaged the French economy. CEP expenditure rose again in the early 1980s, when

infrastructural work had to be carried out in connection with nuclear experiments. Once this work was completed, military expenditure declined and fell in real terms from 1986 onwards, along with the progressive scaling down of the CEP's activities (Table 11). From 1986-90, CEP cut 2585 jobs, reducing its workforce from 9000 to 6415, most of them local civilians. At the end of 1987, 700 expatriate military personnel left the Territory with their families and, since then, postings there have been shortened and families excluded. CEP authorities began implementing measures for facilitating the re-entry of retrenched local workers into the private sector, initiating general and specific training courses and paying cash compensation (as high as a month's salary per year of employment) to encourage voluntary departures.

Changes also extended to the testing policy. From 1990, the number of tests was reduced from eight to six a year (but the French Prime Minister reaffirmed France's commitment to continue with nuclear testing in the Pacific). In October 1989, national and Territory officials met to debate the role of the CEP and the way it could contribute to a more balanced economy. It was stressed that the CEP had to be instrumental in the Territory's development and that expenditures made by the defence forces had to support efforts made by the Territory's government to reorganize the economy. The French Defence Minister duly affirmed that his services would reinforce local personnel training, develop scientific and technical cooperation³ and investigate how local companies could be more closely linked to CEP's activities.

Military expenditures in the Territory have only been surpassed by those of the civil administration which has been trying for some 25 years to counterbalance the unfortunate consequences of CEP activity. Data shows that military expenses, after having been largely predominant in the 1960s, were overtaken by civil expenses at the end of the 1970s before coming to the fore again in the 1980s. Over the past decade, civil expenses were on average 43 per cent of national expenses in the Territory; military expenses were about 57 per cent. However, it is far from easy to appreciate the exact proportion of civilian and military expenditures because of the way they overlap (as is the case with the CEA whose expenses were considered as civil until 1983 and from then on have been regrouped under the defence forces portfolio), because of secrecy about military operations and because of differences in methods of calculation.

³Environmental control and development studies had already been carried out by the CEA through its specialized services and laboratories. These studies concern geophysics and seismicity as well as biological and radiological controls and solar or wind renewable energy experiments.

Table 11 **CEP and military expenditures** (billions Fr.Pac.)

Wages	1981	1982	1983	1984	1985	1986	1987	1988
Local personnel	2.27	2.45	3.64	6.06	5.60	6.07	6.42	6.44
Metropolitan personnel ^a	7.27	7.73	9.09	9.40	9.71	9.27	10.04	10.76
Expenses in local companies	4.56	5.45	10.56	10.69	11.00	11.45	11.48	13.68
Contribution to the Territorial budget	2.70	2.82	4.00	4.23	5.49	6.16	6.91	5.88
Total	16.79	18.45	27.28	29.37	31.80	32.95	34.85	36.76
Military Territorial expenditures/Territorial budget (%)	85.0	81.0	85.0	90.0	70.0	63.0	54.0	57.0

^aExclusive of military salaries directly paid in France.

Source: Institut d'Emission d'Outre Mer (IEOM), *Rapports Annuels d'Activité*; Institut Territorial de la Statistique (ITSTAT), *Tableaux de l'Economie Polynésienne*, 1985.

Nonetheless, there has been a steady increase in civil expenditures which amounted to approximately 14 per cent of GDP in the second half of the 1980s. This has resulted partly from successive wage revaluations, partly from workers' statutory improvements which have led to higher costs of labour, and partly from economic and social redistribution measures.

A survey of data relating to expense allocation points out that State intervention has continued to outstrip territorial intervention, often indirectly through technical ministries, public bodies and the communes (Table 12). Recent reforms of the territorial statute have accelerated the transfer to the Territory of responsibilities which have normally rested with the State. However, the intervention of the State, far from receding, has continued and indeed grown through new channels. An illustration of this is given by the intensification of contractual agreements which amounted to 25.6 billion Fr.Pac. in 1989 and represented as much as a quarter of national expenditures in the Territory. The nature of these contractual policies is twofold. On one hand, they consist of agreements on matters such as secondary school education, allowances to self-employed rural workers, assistance to social housing and local investments, as well as customs agreements based on lump-sum payments for goods and equipment imported by the CEP. On the other hand, they represent more general agreement concerning the guidelines put forward to determine the orientation of cooperation and economic and social development during the period of the Tenth Plan (1989-93). Some 17.4 billion Fr.Pac. have thus

been planned (half the total to be financed by the State) in order to rebalance the economy. The focus has been set on three main targets. First, academic education (especially the new French University of the Pacific), research and vocational training; second, rural activity and employment through development of the tuna industry, the creation of farming businesses and forestry plantations and the implementation of marketing networks for fruits and vegetables; and third, infrastructure works have been programmed to make travelling by road easier in Tahiti and other islands and plans have been made to upgrade two Tuamotu airfields and make them accessible to the new turbo ATR 42s planes.

Table 12 French State's expenditures in French Polynesia, 1980-89 (billions Fr.Pac.)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Civil departments	13.0	15.6	18.5	21.0	22.7	25.5	27.1	28.4	34.4	34.5
Defence department	11.3	13.4	15.4	18.7	46.1	51.5	52.3	54.7	58.7	55.7
Pensions and retirement pensions	..	2.8	3.2	4.2	3.8	4.6	5.4	4.9	6.2	6.5
Various public bodies	..	15.5 ^a	16.4 ^a	20.2 ^a	2.6	2.1	2.4	2.6	4.7	4.4
Total	..	47.3	53.5	64.1	75.2	83.7	87.2	90.6	104.0	101.1
Per cent of GDP		40	38	37	38	37	33	32	36	34

^aThe CEA is classified in 'various public bodies' until 1983.

Source: Institut d'Emission d'Outre Mer (IEOM), *Rapports Annuels d'Activité*; Institut Territorial de la Statistique (ITSTAT), *Tableaux de l'Economie Polynésienne*, 1985.

A further modification of the territorial statute in 1990 has extended the powers of the territorial government so permitting its president to initiate international negotiations on economic matters. Control of direct foreign investments (as in the exploration and exploitation of marine resources) has been transferred from the State to the Territory. Conversely, budgetary control has been reinforced through the creation of a Territorial Audit Office and the representation of distant islands has been stepped up with the creation of an Archipelago Council (made up of municipal and territorial elected representatives) which must be consulted on matters relating to cultural, economic and social issues.

Despite this progressive handing over of responsibility, the State remains in control of the most sensitive government issues concerning foreign policy and trade, immigration, the monetary system, the civil service, the supervision of communes, audio-visual information, higher education and all matters concerning defence, justice, law and order.

What of the Future?

Despite the shifts in the relationship between the State and the Territory, no fundamental changes have yet occurred. The CEP is scaling down its activity but is to maintain its presence in the foreseeable future. The territorial authorities have more power but few resources of their own and are reluctant to give up subsidies and sacrifice present material standards of living. As for the State, it loosens its grip but maintains its control. The future looks rather grim and problematic, even if only a minority of people are asking for immediate independence. At the same time, however, a new relationship is gradually developing between the Territory and the State based on more flexible attitudes and a more accurate understanding of reciprocal interests. Nonetheless, the transition from an economy-of-transfer to an economy-in-association is going to be a long and difficult one.

The transition from a dependent economy-of-transfer

It is now fifteen years since the French Economic and Social Council was asked to suggest ways and means of sustaining economic growth in the French territories of the Pacific. In its report, it urged a drastic reassessment of current policies and implementation of a more equitable and less dependent program of development. It advocated the use of increased metropolitan assistance in the search for this objective. Its program of development was based on a grass-roots model of growth, sustained by appropriate means in order to achieve a more self-reliant and even pattern of development.

Unfortunately, none of this materialized and, so far, the only result has been increased metropolitan financial flows and a weakening in productive activity in French overseas territories (New Caledonia, French Polynesia, Wallis and Futuna) as well as in French overseas departments (Guadeloupe, Guyane, La Martinique or La Reunion). The persistent gap between expectation and achievement can be explained in several ways. Measures aimed at encouraging self-reliance and local production in rural areas have been initiated by central authorities and most interventions have been unilateral and technical, at the expense of the real concerns of the people who are expected to modify their attitudes and behaviour. Geographical dispersion and isolation combined with the small size of domestic markets and high transport costs have been critical constraints, all the more so when allocation of aid has been limited to financial support without the necessary assistance and follow-up. Financial aid packages have been increasingly channelled through specialized institutions which have grown in number in recent years. The result has been a more bureaucratic management of public money, with those officers in charge being less sensitive to national issues than to local patronage or the twists and turns of petty politics. Aid

recipients have developed a 'hand out' mentality and have demanded more while doing less. Growing urbanization, lack of land and the absence of any genuine fiscal reform, and an inflated and cumbersome privileged administration have combined with physical and geographical handicaps to aggravate social inequalities. Remedies are no more than palliatives insofar as they deal with the consequences rather than the causes of the situation and proceed from social considerations rather than economic necessity.

Consequently, the economies of overseas French departments and territories are becoming increasingly dependent on metropolitan France. They are kept afloat by grants and subsidies while local production - with the exception of nickel mining in New Caledonia when world market prices are not depressed - is unable to contribute significantly to economic growth. Trade balance deficits, a proliferating tertiary sector and the progressive atrophication of local production, are likely to persist as long as macroeconomic policy is masterminded from Paris. With financial flows being disconnected from productive efforts, any resumption of local production will be difficult to set in motion. Productive efforts are always going to be undermined by the money injected into the economy which aims to make up for the very inadequacy of local production. In this so-called 'transfer economy', production is not as important as the outside financial inflows which have become the key factor. 'Emphasis on local production seems to be the keyword for a grand social scheme but does not stem from any economic imperative; it is spoken of for the future and constantly referred to in the present; its purpose is economic and its function ideological' (de Miras 1988).

From the start of the decolonization process, France has maintained an assimilationist point of view and has consistently tried to strengthen its relations with its overseas possessions in order to offset trends towards independence, trends which were considered as threats likely to weaken its worldwide position. Spending as much as 40 per cent of its global aid package in the DOM/TOM, the French government expects its territories and dependencies to act as the windows through which its role and actions can be seen and judged. French Polynesia has an additional geo-strategic significance related to nuclear testing and the national defence policy, as well as to the potential resources of its large economic exclusive zone and the growing importance of the Pacific Basin.

To a more independent economy-in-association?

For about a decade or so, French Polynesian authorities have supported a strategy aimed at bringing economic independence to the Territory. This was seen as a prerequisite, if not a substitute, for a more comprehensive independence incorporating political and defence issues such as nuclear testing. The achievement of economic independence and the preservation

of a strong relationship with France were the cornerstones of the political platform of the 'Tahoeraa Huiraatira', the party led by Gaston Flosse when he came to office in 1982. The coalition government led by the Tahoeraa dissident Alexandre Leontieff, who took over in November 1987, retained the same strategy. Anxious to boost the economy, this government initiated a 'plan de relance', the Leontieff plan which 'calls on France to invest more funds to improve French Polynesia's economic self-reliance, in a long-term program to prepare for when testing is wound down' (Henningham 1989). Similarly, the Tenth Plan (1989-93) is based on a bilateral agreement consonant with national and territorial priorities. Its main aims, at the territorial level, are to reduce economic dependence from outside and to reconcile development with traditional Polynesian cultural values.

Economic independence is a long-term objective to be achieved through metropolitan assistance.⁴ However, official slogans cannot be taken word for word and, in the present situation, the following maxim 'who pays, controls' is perhaps more appropriate. In fact, what territorial authorities are looking for is not so much complete economic independence or self-reliance which would bring down the present standard of living; rather, they are looking for a more independent way of managing the economy which would not dry up their main funding source but would allow them to direct and adjust it to their wishes. The move towards such an autonomy of management has made some progress in recent years, albeit in a rather ambiguous way. Since 1977, demands for increased autonomy have resulted in progressive reforms of the statute, giving the territorial government more power and extending its latitude to get and use public money. At the same time, French authorities (unlike many international institutions more concerned with delivering aid than with checking its use and effectiveness) have managed to retain some control of the ways in which public money is spent, especially following blatant abuses and misuses of it in affairs which have bubbled up and have been given much publicity (for example, the Papenoo dam, the Territorial Rebuilding Agency, the autonomous Papeete harbour and POMAFREX, etc.). So, while statute reforms enabled territorial authorities to manage the economy more freely, national authorities have tried to stay in control in a loose and indirect way through new regulations (for example, on semi-public corporations) or new institutions (Territorial Audit Office, Fare de France, etc.). Another indirect form of control has been the replacement of general budgetary aid with specific assistance aimed at clearly identified targets and given out through well monitored channels.

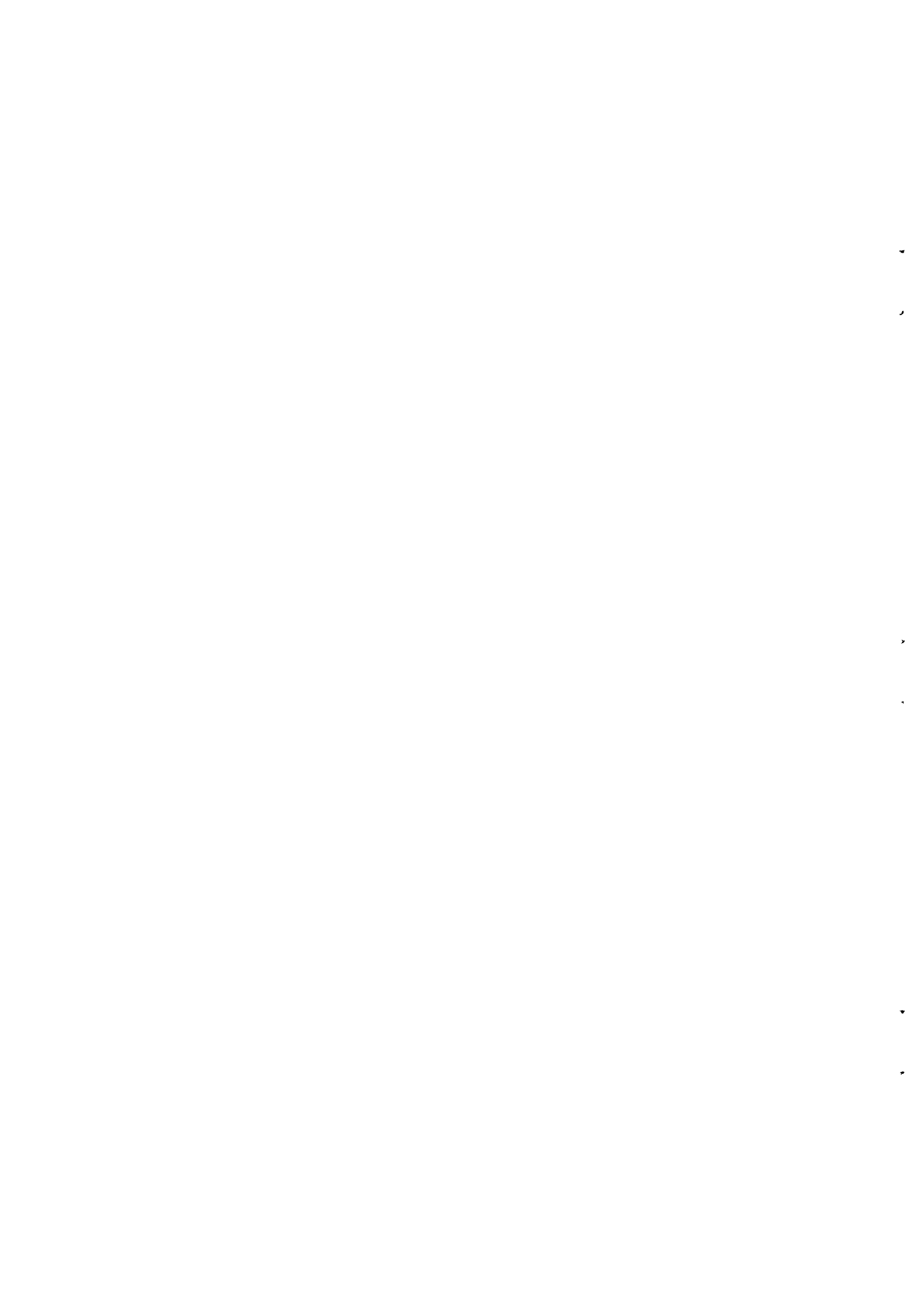
⁴As Alexandre Leontieff put it in May 1990 in an interview with the French daily *Le Figaro*: 'If autonomy is not independence, I prefer a good statute of autonomy bringing about the advantages of independence and not its inconveniences, poverty and tyranny'.

Despite these procedures, the effectiveness of control remains limited and the scope of intervention by territorial authorities in the economy has significantly extended. In any case, there has been a long-standing tradition of intermingling between local and national administrations, and between political parties, even if motives and purposes differ at territorial and national levels. Bargaining and playing double games, far from precluding a tradition of partnership, are part and parcel of it and rely on a logic which is unfathomable only to outsiders. Bargaining can be very effective when sensitive issues are at stake, as when discussing the presence of the CEP and fixing the annual lump-sum payment for the goods it imports, or, more recently, when determining the inclusive payment made in compensation for the reduction of local personnel employed on nuclear sites.

Moreover, the extended power of local representatives, which is formalized in statute reforms, does not proceed exclusively from territorial claims. It comes also from a marked change in French diplomacy which has been increasingly focused on the Pacific basin and which appears to be aimed at improving relations with the Territory's South Pacific neighbours. The French State has begun to take into account regional interests and pressures and has tried to overcome severe anti-French sentiments which reached a peak in the region with the 'Rainbow Warrior' affair and the unrest in New Caledonia. An illustration of this trend has been the appointment in 1986 of Vice-President Flosse as Secretary of State for the South Pacific by the French government. A Polynesian of mixed race, fluent in Tahitian and a gifted speaker, he is also a consummate politician. Helped by a discretionary grant, he rapidly succeeded in developing bilateral relations with French Polynesia's neighbouring countries, presenting a much more positive image of France in the region. He also demonstrated the territorial elite's ability to hold the reins of government on political and economic matters, even if on other grounds his ability to represent French Polynesian people at large was far less convincing.

The key economic issues facing French Polynesia are just as important at the national level as at the territorial level. It has been argued that the exploitation of existing resources involves not so much meeting the islanders' needs as meeting external demands which the islanders are not able to control. This seems to be the case in mining, industrial fishing and plantations where demand and prices are determined overseas and are difficult to anticipate. Other activities such as aquaculture, renewable energy production and telecommunications depend very much on research and experimentation. They imply a close collaboration between territorial and national institutions which is beneficial to both.

The recent evolution of the territorial economy shows a growing openness to the outside world which is illustrated by a satellite-linked



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