



South Pacific Migration: New Zealand Experience and Implications for Australia

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Executive Summary

The immigration policies of post-1945 New Zealand governments share many features with Australia's post-1945 immigration policies. The main exceptions are that Australia's policies have been directed broadly at achieving long-term population targets, and New Zealand governments have accorded some persons in nearby Pacific Island countries special concessions concerning entry.

New Zealand's concessionary policies include:

- 1) those applying to residents of the Cook Islands, Niue and Tokelau (who are New Zealand citizens);
- 2) a quota scheme with Western Samoa; and
- 3) work permit schemes with Kiribati and Tuvalu.

These countries, with the exception of Kiribati, are in the Polynesian ethnic region and so our report has, of necessity, focused upon New Zealand's experience with that region.

Concessionary policies have been implemented mainly as a result of New Zealand's colonial connections, and also because of what a former Minister for Immigration (Mr Kerry Burke) described as part of New Zealand's close cooperation with South Pacific countries and its "special responsibility to assist with their developmental efforts".

These concessionary policies, together with entry of Pacific Islanders under normal policy (especially to fill unskilled and semi-skilled jobs), family reunion, and policy experiments such as the visa-free entry scheme, have led to an estimated 175 000 persons of Polynesian descent residing in New Zealand in 1994. Emigration from Polynesia has contributed directly to lower rates of population growth in constituent sending countries compared with countries comprising Melanesia and Micronesia.

While Polynesians in New Zealand are younger, and their numbers are increasing more rapidly than populations in the homelands, their workforce experiences in New Zealand have been adversely affected by the restructuring of industries in which they were initially employed. This has led to very high rates of unemployment and, in periods of recession, to negative attitudes concerning their presence in New Zealand.

The demographic impacts of both specific and general concessionary migration policies on the New Zealand and island countries is less difficult to assess than the

impact of policies on the island countries' economic development. Even so, one of the reasons behind New Zealand's concessionary policies was the belief that alleviation of demographic pressures would improve opportunities in the Pacific Islands for economic development. Remittance transfers, in particular, it was argued, would maintain and perhaps improve living standards and development prospects through higher consumption and investment.

That the Pacific Island countries have been significantly affected by international migration is indisputable. And while we have addressed as fully as possible the relevant cross-country specific variations in economic, demographic and institutional variables, the analysis has been hampered by dearth of data, including limited information on the characteristics of migrants, their length of stay abroad, and on whether or not labour emigration has led to labour shortages on the islands.

The opportunity for island workers to learn new skills while in New Zealand that can be employed upon their return is an important developmental aspect of migration. However, we tentatively conclude from the data available that return flows, though small, have not been dominated by persons who have experienced significant skill acquisition while in New Zealand.

Nonetheless, the magnitude and use of remittances largely determine the benefits of labour emigration. We conclude from the data available that reliance upon remittances has been very high in Tonga and Western Samoa (Table 4). In the small island countries of Cook Islands, Niue, Tokelau, Kiribati and Tuvalu, dependence on aid and remittances has been crucial to their survival as sustainable economics and for the maintenance of current welfare levels.

Sustainable development is traditionally referred to as a process whereby output per capita rises over time in ways which benefit the masses without compromising the welfare of future generations. Some scholars have concluded that sustainable development is unobtainable in a number of small island states, and that attempts to satisfy rising consumption aspirations will founder as a result of resource constraints and environmental damage.

We disagree with this general view and argue that while it may hold for some Pacific Island countries, it does not necessarily hold for others. We agree with the view taken by several New Zealand officials that the island states can be divided into three groups: "unfurnished", "partly furnished" and "fully furnished". On the basis of their resource bases relative to population, we classify Tuvalu, Kiribati, Tokelau, Niue and the Cook Islands as "unfurnished"; Tonga and Western Samoa as "partly furnished"; and Papua New Guinea, Fiji, Solomon Islands and Vanuatu as "fully furnished".

For the unfurnished states, the MIRAB model developed by Bertram and Watters (1985), in which labour emigration and remittances are considered central to improvement in the welfare of the island populations, is appropriate. We therefore propose that neighbouring developed countries, including Australia, provide at least limited access to their labour markets, either on a temporary or permanent basis.

As labour services are the principal export of the partly-furnished island states (their current comparative advantage), we consider that appropriate migration policies be implemented by the Australian Government. An important aspect would be intensive training of island planners in the application of the Population-Development-Environment planning model (Lutz, 1994). While this would address the “sustainability” issues, these island countries also need an expanded market for their main export—labour services—at least on a temporary basis. These policies should achieve, in due course, transformation of the island’s comparative advantage away from the export of labour services toward domestically-based productive activities.

With regard to the “fully furnished” PICs, we see no need to introduce any type of concessionary migration program. However, because their rapid population growth and resource exploitation will need to be brought under control if they are to achieve sustainable development in the long-term, Australia should increase its commitment to their human resource development and strengthening of their institutions -- especially assistance in the education of planners and supportive personnel in the use of the Population-Development-Environment planning model.

We strongly emphasise the need to recognise that island countries of the South Pacific are not homogeneous; that their development prospects differ significantly. Thoughtful and helpful migration policies of the kind proposed in this Report represent a direction which, in over view, would facilitate their sustainable development.

To unilaterally rule out any form of concessionary policies would be to close off options which may be the only way in which Australia can provide meaningful development assistance. We emphasise the need to recognise that comparative advantage is a dynamic phenomenon and that investment in human and physical capital of the kind suggested in this Report will change a country’s comparative advantage.

On the basis of the islanders’ experience abroad, we are inclined to disagree with Cuthbertson and Cole (1995) who oppose Australia offering expanded migration opportunities for Pacific Islanders on the grounds that Australia pursues a non-

discriminatory, non-concessionary policy. In our view, Tongans and Western Samoans whose countries are in the “partly-furnished” category should be granted, in limited numbers, access to the Australian labour market. Countries such as Kiribati and Tuvalu (“unfurnished”) should also be granted access; Cook Islanders, Niueans and Tokelauns already have access to Australia by virtue of their New Zealand citizenship.

Introduction

One paragraph in a recent report set the Pacific Islands region into clear geographic and demographic perspective:

Stretching across three distinct ethnic regions, including some 22 nations and territories, and speaking 1000 languages, the total population of the island countries in the Pacific numbers nearly 5 million persons. Comparatively, this population is less than that of Hong Kong (Brissette, 1992: 1, quoting Connell, 1988: 1).

Comprising three distinct ethnic regions - Micronesia, Melanesia and Polynesia (Figure 1) - the Pacific Islands region is dominated by Melanesia with 98 per cent of the land area and 84 per cent of the population, including Papua New Guinea's 3.73 million persons (1990). Micronesia and Polynesia, on the other hand, contain only 7 and 9 per cent respectively of the region's population (South Pacific Commission, 1994).

Small population island states are very sensitive to international migration, and slower population growth rates in countries comprising Polynesia have been attributed mainly to out-migration during the last three decades. In the mid-1980s, an estimated 190 000 Polynesians were living outside their islands of origin (Hayes, 1992: 278). In March 1994, an estimated 175 000 persons of Polynesian descent were living in New Zealand alone (South Pacific Commission, 1994). Indeed, New Zealand has become a major destination for Polynesians whose countries have developed a "strong dependence on safety valve factors of emigration and the remittances that flow back to the islands" which, in turn, have been a major cause of population growth lower than in countries comprising the Melanesia and Micronesia regions (Krishnan, *et al.*, 1994: 1 and 5). The South Pacific Commission noted that continued movement of Tongans and Samoans to Pacific rim countries was a major reason why their population growth was only 0.5 per cent during the 1980s. In Polynesia as a whole, the Commission argued, emigration has "counterbalanced high fertility levels and declining mortality, resulting in very low or even negative annual population growth" in some countries (South Pacific Commission, 1994).

New Zealand's close historical association with the Pacific Islands of Polynesia has played an important role in the development of concessionary migration

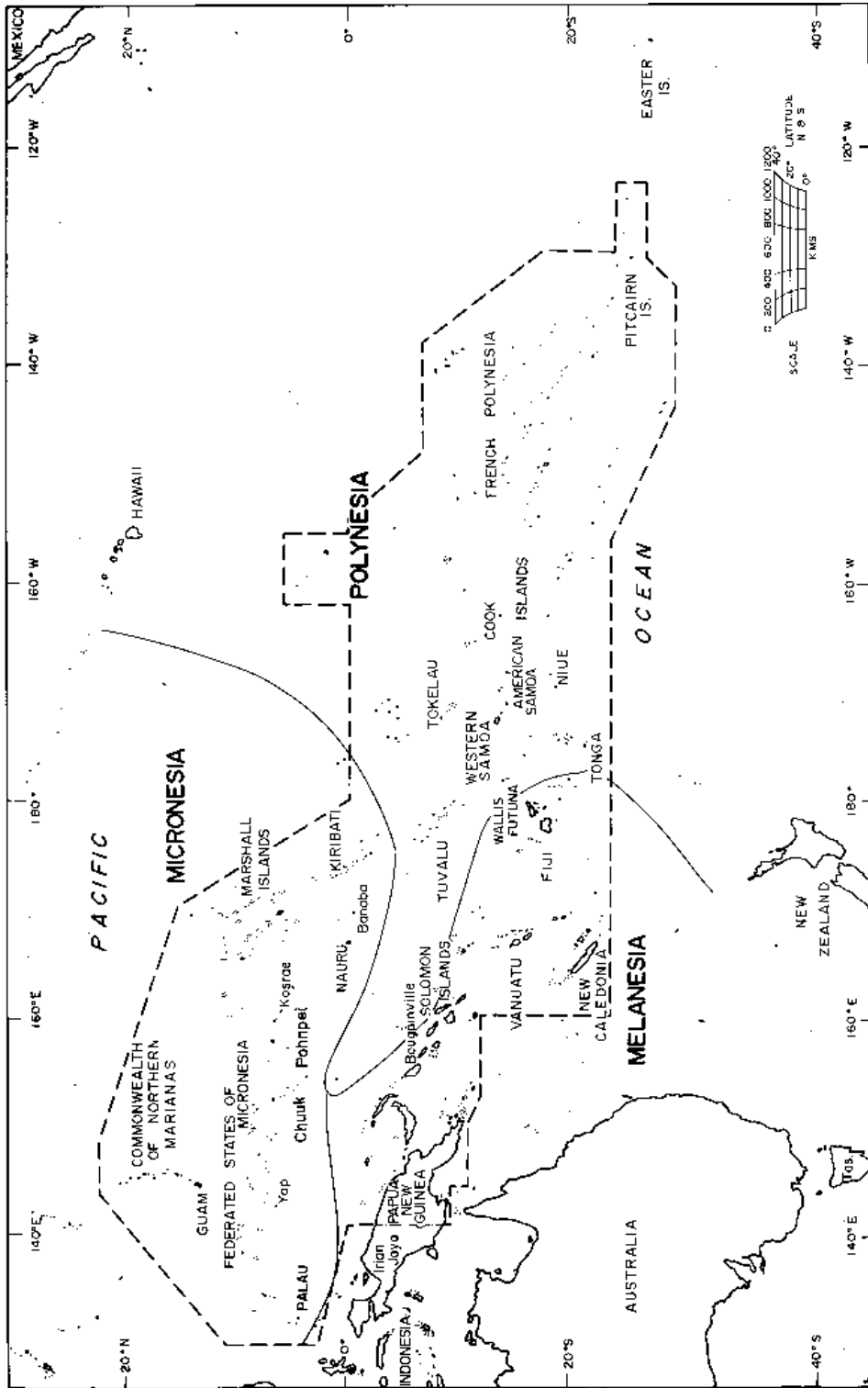


Figure 1: Islands of the Pacific Ocean.
Map from Cartography Unit, Department of Geography, University of Sydney.

policies toward the Pacific Islands. These policies have been both de jure and de facto in nature. While New Zealand has enacted legislation which grants immigration concessions to Pacific Islanders, it has also permitted the entry of large numbers of Pacific Islanders on a clandestine basis through lax enforcement of immigration laws.

The purpose of this study is to (a) review New Zealand's immigration policies toward the Pacific Islands and its experience in implementing these policies; (b) evaluate the impact of these policies on the development of the Pacific Island countries involved; and (c) discuss the implications of our findings for Australia's immigration policy toward Pacific Island countries.¹

The study begins with a discussion of New Zealand's immigration policy. This is followed by an evaluation of the impact of international migration on economic development in the Pacific Islands. Of particular concern is its impact on output and employment in the sending island countries, its effect on skill acquisition and the consequences of overseas workers' remittances on development. Since remittances are the litmus test of the benefits of a policy of labour emigration, considerable space is devoted to a discussion on their amount, use and development impact. Some general observations are then made on the relationship between migration, remittance and development in the context of the South Pacific, and the implication of these relationships for possible Australian concessionary migration policies towards the PICs. The last section of the paper contains a brief summary of the major findings on the consequences of international migration for development in the South Pacific, and some concluding observations.

New Zealand's Immigration Policy

Since the 1950s, New Zealand and the United States have been consistent in their policies of admitting Pacific Islanders primarily because of past colonial ties, whereas Australia and Canada have admitted islanders on the basis of skills and family reunion-criteria rather than on the basis of a specific immigration policy relating to Pacific countries (Geddes, 1987: 25). This, according to Brissette, has meant that islander migrants in Australia have higher education and skill levels, and better fluency in English, than those in the United States and New Zealand. On the other hand, Polynesians (and others) with New Zealand citizenship or permanent residence status are able to reside in Australia under the Trans-Tasman agreement which permits the free flow of New Zealanders and Australians across the Tasman Sea (Hayes, 1992: 284). Thus the historical basis and current implementation of New

¹ Appendix 2 contains some observations on the Terms of Reference of this study.

Zealand's immigration policies towards Pacific Island countries not only impacts development of island countries, but also has implications with respect to the potential magnitude of Pacific Islander migration to Australia.

Recently, New Zealand's Minister for Immigration, Mr Roger Maxwell, announced that immigration was overshooting targets, running at twice the 20 000 to 25 000 net level that had been set by the government (*The Dominion* 2/3/95). When a review which he has implemented is completed late in 1995, it will be decided whether to cut the number of immigrants by making immigration criteria tougher, or finding ways of accommodating more migrants without causing social disruption. Meantime, the Minister declared there should be a debate on the desired "level of immigration", saying that New Zealanders needed to decide how big they wanted the population to become.

As in Australia, these are perennial questions; but unlike Australia, especially in the post-1945 period, New Zealand has not actively utilised immigration to meet population growth rates in order to achieve a specific population target in the long-term (Appleyard, 1988). New Zealand's approach, according to a former Minister for Immigration, Mr Kerry Burke, has been considerably more cautious than the "populate or perish" programme which he identified as Australia's objective. Although immigration (both intake and loss) have reflected economic conditions in New Zealand, net gain to the population through migration over the period 1945 to 1986 has been a relatively small component of New Zealand's population growth. The 483 000 overseas-born residents in New Zealand at the 1986 census reflected only 14.8 per cent of the population, and 62 per cent of these persons had been born in the United Kingdom or Australia.

During New Zealand's early post-war migration programme, the United Kingdom was the main source of immigrants; free and assisted passages being available to many Britons. In 1950, an Assisted Passage Agreement was negotiated also with the Netherlands. Peaks of intake from the United Kingdom coincided, as in Australia, with events such as the Suez crisis in 1957. The terms of assisted immigration programmes changed to meet desired targets during this period.

By responding mainly to short-term labour requirements, immigration intakes basically reflected contemporary economic conditions. As Minister Burke observed, the 1967-68 recession saw a lagged *emigration* of New Zealand workers to Australia and elsewhere, but booming export prices a few years later led the government to abolish its ceiling on subsidised immigration from the United Kingdom, and extend the Assisted Passage Scheme to other European countries and the United States. This led to the entry of 70 000 permanent and long term migrants in 1973-74. As in Australia, a Labour government elected in 1972 brought to an end the previously

unrestricted access of British migrants and also the Assisted Passage Schemes. For the next decade, immigration proceeded at “modest levels” (see Table 1). With the election of a Labour government in 1984, immigration law and policy were carefully reviewed. Thereafter, new immigrants (i.e. outside long standing bilateral preferential access arrangements with Australia, the Netherlands and Western Samoa) would be selected on *personal merit*, without discrimination on grounds of race, national or ethnic origin. This represented a “significant departure from the bias in favour of the British and West Europeans which had shaped New Zealand migrant entry for almost a century”. Interestingly, Minister Burke, who initiated the 1986 Review, noted that there was widespread recognition within New Zealand of the vitality contributed to Australian economic and cultural life by that country’s acceptance of migrants from a wide range of sources. The government streamlined the basis of needed skills, abolished the guideline that a prospective migrant should have no more than four children, increased opportunities for business migration, and announced its intention of introducing legislation to clarify and improve procedures for determining the refugee status of persons seeking asylum (Burke, 1986).

In March 1991, a Working Party on Immigration reviewed the policy initiatives that had been implemented in 1986 and noted not only that there had been a doubling of applications for permanent entry between 1986 and 1990, but that the source of migrants had changed: Hong Kong, Taiwan and Malaysia having become “important countries of origin”. The Working Party’s main recommendation was to implement a points system based upon employability, age and financial independence. The present occupational category and Occupational Priority List, it recommended, should be replaced by a points system which is as simple, objective and as transparent as possible. It also recommended changes in the working of the business investment programme, and supported retention of family reunion, refugee status and humanitarian reasons as grounds for permanent entry, as well as retention of specific provisions for immigration from the Pacific Islands and the Netherlands (Wilson, 1991).

New Zealand's Immigration Policy Relating to Pacific Island Countries

Immigration Policy In Historical Perspective

At March 1994, there were approximately 175 000 persons of Pacific Island descent living in New Zealand, the equivalent of just over 5 per cent of the population (Bedford, 1994: 196). The 1991 Census indicated that persons of specified Samoan ethnicity were by far the largest group (85 743), followed by Cook Island Maori (37 857), Tongan (23 175), Niuean (14 424), Fijian (5 097) and Tokelauan (4 146) (Krishnan *et al.*, 1994: 31). The Pacific Island population is the largest immigrant minority population in New Zealand, the fastest growing, and is characterised by a very youthful age structure, especially those born in New Zealand which comprise half the group (Krishnan *et al.*, 1994: 36.42). However, the unemployment rate for Pacific Island persons in 1991 was double that of the general population, having risen to 28 per cent from 12 per cent in 1986. During our discussions in New Zealand we were informed that the teenage rate of unemployment for persons of Pacific Island ethnicity was three times the national average for teenagers. One recent study concluded that the finding of greatest concern was the rapid acceleration during the 1990s of "trends linking race with economic status", and that a substantial Polynesian minority "are becoming an entrenched underclass" (Krishnan *et al.*, 1994: 83). A recent Pacific Island Affairs paper also declared that "immigration is one of the most sensitive and important issues for Pacific Island people in New Zealand. Policy relating to this needs extremely careful consideration and consultation prior to any changes being made". Unless fully justified and carefully explained, changes tend to send "negative signals to Pacific Islands people in New Zealand and the Pacific generally" (cited in Crawley, 1993: 184).

The genesis of post-war immigration of Pacific Islanders to New Zealand was the government's decision in the immediate post-war years to lead New Zealand into an era of industrial expansion as a result of declining demand for agricultural labour and fluctuating export commodity prices in world markets (Hawke, 1985). Such a policy required more labour than could be supplied locally; immigration was therefore a logical answer. As already noted, New Zealand had negotiated Assisted Passage schemes with the United

Table 1: New Zealand: Permanent and Long-Term Migration 1922 - 1987

Year ended 31 March	Permanent and long-term arrivals (immigrants)	Permanent and long-term departures (emigrants)	Net permanent and long-term migrants
1922	13845	2150	11695
1925	15704	1946	13758
1930	6917	2449	4468
1935	1579	3592	-2013
1940	7315	3129	4186
1945	1704	2392	-688
1950	17701	6886	10815
1955	19453	9012	10441
1960	20294	13420	6874
1961	21424	14848	6576
1962	32769	12691	20078
1963	32589	14454	18135
1964	34234	14903	19331
1965	35446	18159	17287
1966	35299	18589	16710
1967	38999	21128	17871
1968	30660	28472	2188
1969	23225	29803	-6578
1970	26825	29822	-2997
1971	39377	38165	1212
1972	45099	37546	7553
1973	54651	35483	19168
1974	69815	42338	27477
1975	65900	43461	22439
1976	48460	43160	5300
1977	37020	56092	-19072
1978	36972	63680	-26708
1979	40808	81008	-40200
1980	41607	76024	-34417
1981	44965	69790	-24825
1982	45292	56774	-11482
1983	45854	42674	3180
1984	40705	34147	6558
1985	36243	44327	-8084
1986	35982	57595	-21813
1987	44360	58629	-14269

Source: New Zealand Official Yearbook 1988-89

Kingdom, and soon after with the Netherlands, for mainly skilled workers to service the era of industrial expansion. Initially, the demand for unskilled and semi-skilled labour was filled by Maoris moving to Auckland and other cities from rural areas. But as this supply became depleted, the government sought temporary and permanent labour migration from countries in the South Pacific (Brosnan and Wilson, 1989). It is also widely recognised that Pacific Islanders were preferred to Maori workers because they were more highly motivated. The New Zealand government policy at this time mirrored, to some extent, those of Australian governments in the 1950s and 1960s to recruit skilled workers from the United Kingdom and northern Europe; and unskilled workers from countries in southern Europe (Appleyard, 1988).

Workers from the Cook Islands and Fiji were among the first to be recruited, initially by individual employers. Once in New Zealand, they sponsored family members (Spoonley, 1990). Demand for immigrants remained high during the 1960s. By 1970 labour shortages were acute, especially in the manufacturing sector (Krishnan *et al.*, 1994: 13). In the Fiscal Year 1973/74 a record 69 815 permanent and long term arrivals reached New Zealand. The Cook Islands, Fiji, Niue, Tonga and Samoa collectively provided six per cent of that number (Farmer, 1985).

The impact of the so-called OPEC crisis was as severe in New Zealand as in many other countries. High unemployment and worsening terms of trade led the government to greatly restrict immigration. As economic conditions deteriorated, Pacific Islanders "... being more visible than other groups, became a convenient scapegoat for some of the economic problems facing the country" (Krishnan *et al.*, 1994: 78). Indeed, according to Spoonley (1990), they were specifically targeted in government-led campaigns to identify and deport overstayers (see also Bedford, 1994: 189). Spoonley argues that the term 'overstayer' became synonymous with Pacific Island communities, and that in the 1976 election campaign television advertisements were used to portray them as "... violent people who broke the law and who took jobs away from 'New Zealanders'". Dawn raids were carried out in 1976 on the homes of people belonging to Pacific Island communities and, wrote Spoonley, random street checks were carried out on people who appeared to look like they belonged to a Pacific Island ethnic group.

On its election in 1984, the Labour government began a program aimed at overturning state intervention and remodelling the economy. Controls over interest rates were abolished, the exchange rate was floated, government intervention in the market place was minimised and the public sector was restructured. On its re-election in 1987, privatisation became a major objective. The Labour government of 1984 had also pledged to review New Zealand's immigration law and policy which led to more liberal immigration policies which, in turn, led to increased immigration from Pacific Island countries. There was, for example, an experiment with visa-free entry

for some Pacific Island countries in 1986/87. Thus, net migration to New Zealand from Fiji, Tonga and Western Samoa of 27 000 in the late 1980s was more than double the number during the previous five years (Larner and Bedford, 1993: 187). Indeed, so successful was the visa-free entry with citizens of Fiji, Tonga and Western Samoa that it was abandoned only a few months after its implementation in late 1986 (South Pacific Commission, 1994; Bedford, 1994: 193). As already noted, the 1986 policy review led to immigration selection procedures based on personal merit without discrimination on grounds of race, colour and ethnic origin. One major impact of the policy for nationals from Pacific Island countries, which hitherto had not been classified as “traditional sources”, was that their applications would be assessed on an “equal basis” (Burke, 1986: 11). Furthermore, the new Immigration Act of 1987 included provisions for a transition period during which overstayers could “regularise” their residence status². This led to a large number of citizens from Fiji, Tonga and Western Samoa being granted residence status in 1988 and 1989.

The migration of Pacific islanders came under close scrutiny in 1989 (Bedford, 1994: 195). Officials questioned the wisdom of allowing essentially unskilled and semi-skilled immigrants to continue to enter the country in large numbers. As a consequence, 1991 immigration policy therefore made it more difficult for unskilled migrants to enter New Zealand. The new system benefited those Pacific Islanders who had good qualifications and capital assets (especially the Fiji Indians), but it was “not welcomed by those from villages and towns who were seeking unskilled work in New Zealand”. Many of the industries in which Pacific Islanders had worked in the 1950s and 1960s had undergone restructuring as a consequence of government policies (Macpherson, 1991: 142). In many ways, their plight was not dissimilar to that experienced by southern European unskilled workers who entered Australia during the same period and worked in industries that were also later subject to major restructuring. Krishnan *et al.*, (1994: 86) argue that Pacific Islanders in New Zealand have been more damaged by economic policy changes than any other group. Although there may have been some corresponding growth in the employment of Pacific Islanders in the service sector (Bedford, 1994: 195), “this did not match the collapse in manufacturing employment...” He further points out that immigrant male Samoans, Tongans, Cook Island Maori and Niueans who arrived between 1986 and 1991 have found it more difficult to get jobs than males of the same age who have been in New Zealand longer (p.199). This has greatly reduced the number of immigrants from the Pacific Islands. Indeed, between 1991 and 1994 more Pacific Islanders with Samoan and Tongan nationality left New Zealand than arrived.

² “Regularisation saw the granting of residence, outside normal selection criteria, to some persons already in New Zealand whose immigration status was unlawful or uncertain” (Burke, 1986: 12).

Concessional Policies for the Pacific Island Countries

While immigration to New Zealand from Pacific Island countries has occurred within, and been subject to, the economic and political context that determined overall migration targets, successive New Zealand governments have at the same time adopted concessionary immigration policies for some Pacific Island states.

Residents of *Cook Islands, Niue and Tokelau* in Polynesia are New Zealand citizens by birthright and therefore free to move to and from New Zealand. New Zealand had acquired its Pacific empire by assuming responsibility for the Cook Islands and Niue in 1901, and Tokelau in 1925. Britain had initially annexed these islands but passed responsibility for their administration to New Zealand. When the Cook Islands and Niue gained their independence, leaders in these countries, and in New Zealand, realised, according to Krishnan *et al.*, “that a complete severance of ties could impoverish these islands ...”. New Zealand therefore agreed to what Krishnan described as “... probably one of the most generous post-colonial arrangements in modern history” - the right to New Zealand citizenship along with the powers of self-government in free association with New Zealand. Tokelau, on the other hand, decided that it was too small to even exercise the option of limited independence and to this day remains a territory of New Zealand, although the islands are largely self-governed (Krishnan, 1994: 4).

The demographic impact of these “most generous” arrangements is that there are now three times as many persons of Niuean descent living in New Zealand than there are on Niue itself, and the implications of this for resettlement, depopulation and remittance income has been substantial for both countries (Macpherson, 1992).

Migration from the Cook Islands began when New Zealand and Australia established phosphate mines in French Polynesia during the 1940s and Cook Islanders were recruited on contract to work in the mines. The income they earned provided capacity to travel to New Zealand and “set the context for permanent Cook Islands migration to New Zealand” (Krishnan *et al.*, 1994: 16). The flow was increased by the development of transport links between the two countries in the 1950s and 1960s (Brosnan and Wilson, 1989), as did the completion of an airport in 1971 on Niue increase emigration from that country to New Zealand. Emigration from Tokelau, on the other hand, was initiated by a New Zealand government assisted resettlement scheme following a catastrophic hurricane in 1966 (Brosnan and Wilson, 1989).

The absence of restrictions on migration between the Cook Islands and Niue is reflected clearly in the demographic structure of their communities in New Zealand. Unlike the communities from other Pacific Islands which do not enjoy free entry to

New Zealand, there is a much higher proportion of older persons in the Cook Island and Niuean populations in New Zealand than, for example, among the Fijian, Tongan and Samoan communities (Bedford, 1994: 197).

A special *Western Samoan Quota Scheme* was established by agreement between the governments of Western Samoa and New Zealand in 1970. Up to 1 100 Western Samoan citizens may be granted residence each year if they meet certain criteria (Appendix 1). Western Samoa became a mandated territory under New Zealand administration in 1921 after New Zealand forces had seized the islands from Germany in 1914. New Zealand's colonial intentions, according to Krishnan *et al.* (1994: 3), were benevolent with successive governments administering the islands for the "good of the inhabitants, to protect the inhabitants from exploitation and population decline, to educate them, and to encourage the development of Christianity, modern government and commercial agriculture". However, an "unhappy state" of relations between Samoan and New Zealand authorities in the 1920s and 1930s created a strong move among Samoans for independence. This was achieved in 1962 with Western Samoa becoming the first fully independent Pacific Island state.

With the signing of a Treaty of Friendship at independence, New Zealand adopted a migration quota system for Western Samoan citizens. Applicants had to meet normal requirements regarding age, health, character etc, and have a guarantee of employment in New Zealand, though not necessarily one requiring skills listed on New Zealand's 'Occupational Priority List'. The quota levels, which were higher than those set for entry under normal immigration policy, have fluctuated over the years. In 1982, the legality of the quota, and other restrictions on the entry of Western Samoan immigrants, was put in doubt by a Privy Council decision in favour of a Samoan overstayer - Falema'i Lesa. The Council ruled that she was a New Zealand citizen by virtue of the fact that the British Nationality and Status of Aliens Act (1923), and the British Nationality and New Zealand Citizenship Act (1948) had conferred New Zealand citizenship on Samoans and their children born in Western Samoa prior to 1948 (Macdonald, 1986). The ruling meant that about 60 per cent of Samoa's population were considered eligible for unrestricted entry to New Zealand. However, following discussions between the governments of Western Samoa and New Zealand, a Citizenship (Western Samoa) Act was passed on 14 September 1982 under which all Western Samoans in New Zealand at that time were granted citizenship. Furthermore, as Krishnan shows, all Western Samoans granted permanent residence in the future had an immediate right to citizenship. This compromise effectively negated the Privy Council decision which concerned *citizenship*. Economic conditions in New Zealand at the time, especially high unemployment in industries that normally employed migrant labour, and the

Western Samoan Government's concern at the prospect of large-scale out-migration, were major issues in the negotiations.

The Western Samoan Quota Scheme, implemented in 1970, some 12 years before the Privy Council's decision, was preceded in 1962 by the Treaty of Friendship, and allowed for more extensive family migration of Samoans than from countries such as Tonga and Fiji which did not have such an agreement with New Zealand (Bedford, 1994: 196). Even so, in recent years, the numbers of persons admitted to New Zealand under the Quota Scheme has been well below the quota. As Table 2 shows, in 1992 there were only 104 applications of which 61 were approved; in 1993 the respective numbers were 200 and 105. Cuthbertson and Cole (1995: 41) attribute the decline since the mid 1980s (when approved applications exceeded the quota) to revised procedures adopted in 1990, job scarcity in New Zealand and increased stringency of checks in New Zealand on the authenticity of job guarantees. Furthermore, Western Samoans can now enter New Zealand under the points system implemented through the 1991 immigration review. On the other hand, the Working Party on Immigration indicated that although it had thought of recommending a modified points system for Pacific Island countries, it decided that it would be preferable to continue with present arrangements, including the Western Samoa Quota scheme (Wilson, 1991).

Table 2: Western Samoa Quota Scheme

Year	Applications	Covering Applicants (persons)	Approved Applications
1986	1912		1200
1987	1084	1860	1449
1988	1322	2047	1094
1989	977	1561	1308
1990	213	428	165
1991	229	359	135
1992	104	172	61
1993	200	285	105
1994	459	710	Not yet determined

Source: New Zealand Immigration Service, March 1995

South Pacific Work Schemes

Even before the 1960s, New Zealand was operating a scheme to allow entry to New Zealand of temporary workers from Fiji for *rural* employment for up to 6 months. Although it was suspended during recession in the 1960s it was reinstated in 1960

and still operates (Trlin, 1986). New Zealand has also implemented a number of temporary *urban* worker schemes for Pacific Islanders: for Tongans in 1975 and Fijians (as well as Western Samoans) in 1976. Later that year the three schemes were amalgamated. Also, at the end of the 1970s, schemes were implemented for workers from Tuvalu and Kiribati. Krishnan (1994: 18) identifies the distinguishing feature of the work schemes as “rigorous entry and departure provisions” which were adopted in the mid 1970s when, as already noted, New Zealand had an overstayer problem. Responsibilities placed on employers to meet the contract criteria (11 months employment) meant that they had to seriously consider their positions before agreeing to employ Pacific islanders.

Under these work schemes, the Department of Labour has to be satisfied that local labour is not available to fill the vacancies and that the terms of employment and accommodation offered by employers are acceptable (Burke, 1986: 31). Numbers of workers under the bilateral agreements with Fiji, Tonga and Western Samoa fluctuate from year to year but averaged 320 per year during the last 3 years before the publication of the Burke Report. Minister Burke (1986: 31) argued that these schemes were valued by the workers and their governments. The money earned contributes to community development and there is “often an element of training involved as the workers become familiar with particular equipment or processes”. For these reasons, the Government considered that there was a strong case for continuing with the schemes “as part of our close cooperation with South Pacific countries and our special responsibility to assist with their developmental efforts”. The Minister did, however, seek more information on an appropriate period of stay, “taking into account local labour needs, opportunity to save and the personal and family circumstances of the workers ...”. He also foreshadowed the possibility of new arrangements which could be integrated more closely with seasonal requirements of horticultural development in certain areas of New Zealand and assessment of the availability of New Zealand workers.

Minister Burke’s overall support of the several worker schemes led him to respond positively at a South Pacific Forum meeting where it was recommended that the special needs and problems of smaller island countries be considered. As a result, the New Zealand Government decided to establish parallel work schemes with Kiribati and Tuvalu “whose developmental and employment prospects are extremely limited” (1986: 32). He indicated that details of such schemes were being worked out with the two governments and it was envisaged that “around 20 nominated workers from each country would be admitted annually subject to satisfactory employment and other arrangements”.

The Kiribati and Tuvalu Work Permit Schemes were duly implemented. Details are contained in Appendix 1. For both schemes, the objectives are to provide participants with income, job skills, on the job training and work experience. They must be aged 20 - 45 years, and be resident in the respective countries. The Kiribati Honorary Consul in New Zealand is responsible for identifying suitable job opportunities and arranging placements with employers. Up to 20 workers per year (reviewed from time to time) are accepted from Kiribati, and 80 per year from Tuvalu.

International Migration and Economic Development in the Pacific Islands

One of the reasons behind New Zealand's concessionary migration policies for selected PICs was the belief that by alleviating demographic pressures it would improve opportunities for economic development which would be further assisted by remittances sent home by PI migrants working in New Zealand. Remittances, it was believed, would maintain and perhaps improve living standards and development prospects through higher consumption and investment.

The purpose of this study is to evaluate New Zealand's experience with concessionary migration policies toward the PICs, and to assess the impact that these policies might have had on their economic development. This entails a survey of literature on the relationship between international labour migration and the development of the labour-exporting countries. In this context, the important issues are the effects of outmigration on domestic output and employment, the contribution of work experience abroad to the formation of skills useful to the sending country, and the impact of remittances from overseas workers.

There is a vast literature on this subject, both globally and in the context of the PICs. We focus on a few of the more salient factors which seem to govern the interrelationship between migration, remittances and economic and social change as it affects the PICs.

The Importance of International Migration in the Pacific

International migration varies in importance amongst the various PICs. According to Connell and Brown (1995), there are four elements of migration in the Pacific region: movement away from small remote islands, movement from mountainous areas to more accessible coastal communities, urbanisation, and international migration. Polynesian states are characterised by international migration; the US and New Zealand being the principal destination countries with some migration to Australia mainly via New Zealand. The Melanesian states are characterised primarily by internal migration. The Micronesian states experience both internal and international migration, with the latter oriented principally toward the US. Some Micronesian islands experience international labour immigration.

Since the focus of the study is on New Zealand's experience with PI migration and its developmental implications, our discussion of the developmental consequences of migration is confined mainly to the Polynesian islands. However, since the islands of Melanesia are Australia's closest neighbours, we will also discuss the implications of our findings for Australia's migration policies toward this group of islands.

Table 3 contains estimates of PI populations abroad. Comparisons between the figures in this table and the 1991 New Zealand census indicates that there was considerable migration from the islands to Australia and New Zealand during the 1980s. For example, New Zealand's 1991 census enumerated 85 743 Samoans who would almost exclusively be from Western Samoa. According to Table 3, in 1981 there were only 44 000 Western Samoans in New Zealand. The same applies to Tongans who numbered 23 175 according to the 1991 census, but in 1986 numbered 7 200.

In the context of the South Pacific region, international migration is the result of the confluence of many factors. In the last half of this century, in particular, there has been an increasing disparity between earnings and employment opportunities within the PICs relative to industrial countries on the periphery of the region, viz. New Zealand, the United States and Australia. Second, improved transportation and communication have increased the awareness of these spatial inequalities and facilitated movement between the islands and their wealthy Pacific neighbours.³ Third, while aid and remittances to the islands were used initially to satisfy "discretionary" wants, these were transformed over time into "necessary" wants. That is, conventional subsistence requirements increasingly included goods which required cash to purchase. If that cash could not be secured within the domestic economy, then remittance income through migration was the only other option. Fourth, concessionary US migration policies toward American Samoa, and both de jure and de facto New Zealand concessionary migration policies towards the Cooks, Tokelau, Niue, Tuvalu, Kiribati, Western Samoa and Tonga, resulted in substantial migration flows which, in turn, created within New Zealand and the United States communities of Pacific Islanders. The existence of these communities further facilitated migration from the islands through the "beaten path" effect.⁴

³ In no small measure, migration by Pacific Islanders was encouraged by the push by Air New Zealand into the Pacific. The airline was able to influence government aid policy in the direction of building airports and support facilities throughout Polynesia (personal communication from Hon. Aussie Malcolm, former Minister for Immigration under the Muldoon government).

⁴ Stahl, et al (1993) provide empirical evidence which establishes the significance of prior immigration as a significant variable in explaining current immigration pressures (i.e. the "beaten path" effect).

Table 3: PIC Populations and Populations Abroad

Country	Year	Total in country	Total indigenous	in US	in NZ	in Aus	Total Away US, NZ, Aus	% Away
Niue	1986	3150	2992	100	8250	900	9250	75.6
Tokelau	1991	1578	1538	300	2400	200	2900	65.3
Amer. Samoa	1990	46773	29800	36564	120		36684	62.4
Cook Islands	1991	18552	17913	1439	25000	2000	28439	61.4
Western Samoa	1981	156349	153920	26400	44000	1050	71050	35.4
Tonga	1986	94649	93049	17606	7200	6000	30806	24.9
Kiribati	1979	61200	58140	150	120	80	350	8.7
Fiji	1986	715375	325317	7036	7000	10000	24036	5
Vanuatu	1989	142944	139475	100	120	100	320	0.9
Solomon Islands	1986	285176	223560	100	200	150	450	0.2
Papua New Guinea	1990	3576066	3553061	200	600	3000	3800	0.1
TOTAL				89995	95010	23480	208485	

Source: compiled from Pirie (1994:61)

The Economic Impact Of Labour Emigration

That these islands have been significantly affected by international migration is indisputable. But whether or not these migrations have had a positive, negative or indifferent effect on the islands' development remains a vexed issue.

Arriving at empirically meaningful generalisations concerning the relationship between international migration and development is difficult for several reasons (Stahl, 1989). First, there are significant cross-country variations in economic, demographic and institutional variables. Depending on the country-specific combination of these variables, international migration may be beneficial, benign or detrimental with regard to its developmental impact. Second, although two countries may experience the same volume of migration flows, the economic and demographic characteristics of the migrants can differ significantly with very different implications for development. Third, countries vary in their ability to internalise the developmental stimuli which are promoted by international migration and remittances. Fourth, different types of international migration, e.g. permanent, contract labour, transient professional, illegal and refugee, have quite different developmental impacts.

When attempting to evaluate the impact of labour emigration on a sending economy, the guiding considerations are:

- the number of workers who emigrate relative to the size of the domestic labour force and their length of stay abroad;
- in the industrial context, the degree of difficulty encountered in replacing lost workers;
- in the rural context, the effect of emigration on rural productivity and development;
- in the case of temporary migration, whether or not skills were gained during the work experience abroad and whether or not those skills are employed upon return;
- the level of remittance inflows and its effects on investment, output and employment; and
- the effect of emigration on savings, investment, population growth and hence long-run development.

This list is not exhaustive.

These numerous considerations can be combined into three major questions, the answers to which determine the impact of labour emigration on the sending country. First, does emigration have a direct negative effect on output and employment? Second, do emigrants acquire skills from abroad that are employed upon return? Third, does emigration give rise to remittances - what determines their magnitude; what impact do they have on domestic output, employment and investment; what policies might be pursued to facilitate their flow into the emigration country, generally, and into productive investment, specifically; and, what is likely to happen in the future with regard to the direction and magnitude of remittances?

Output and Employment Effects of Labour Emigration

There is a lack of consensus in the literature concerning the impact of labour emigration on domestic output and employment. Some researchers have found it to be an inexpensive and rapid method of alleviating unemployment, as well as a safety valve to relieve the social and economic pressures caused by unemployment. However, labour migration is often selective of the more talented and ambitious members of the workforce. If these persons were employed, and if they are difficult to replace, then their loss can have a negative impact on the industries affected. Their loss can even increase unemployment amongst the unskilled insofar as these latter workers are complementary to departing irreplaceable workers (Stahl, 1982). Studies from a number of labour-exporting countries have found adverse industry specific impacts due to labour emigration (Habib, 1985:90-105).

Of particular concern is the loss of professional and technical workers (called PTKs) through emigration - the "brain drain". However, this concern presumes that the workers were employed prior to emigration, which may not necessarily be the case. In fact, the emigration country may have a stagnant and deteriorating economy unable to absorb additional PTKs entering the labour force. Even in economies which are performing well, e.g. Indonesia, the economy cannot absorb the total output of its universities and technical schools (Jones, 1990). In such cases, by alleviating unemployment and contributing to foreign exchange earnings through remittances, labour emigration can be developmentally advantageous - the "brain drain" becomes a "brain overflow" (Mundende, 1989).

There is not a great deal of information about the profile of migrants from the PICs. The New Zealand Census of 1991 reports that 51 per cent of persons belonging to PI ethnic groups born outside New Zealand have no educational qualifications, while 19 per cent have post-school qualifications. In terms of occupational distribution, 62 per cent of PI males were in the semi or unskilled occupational category of 'production, transport, equipment and labourers', and only 9 per cent

were in the PTK category. Ahlburg and Levin (1990:22) found that the education and skill levels of immigrants to the US from Tonga and Western Samoa were considerably higher than those of non-migrants in the two emigration countries. Hayes (1982) found that a large proportion of Cook Island permanent migrants to New Zealand were skilled or semi-skilled. Bedford (1988:23), Tongamoa (1987:72), Connell and McCall (1990:10), all cite, according to Ahlburg (1991:34), evidence of a “brain drain” from the Pacific to Australia, New Zealand, and the United States. However, as noted above, it is not clear whether these losses constitute a “brain drain” or a “brain overflow”. More recently, because of the growing relative importance of family reunion in migration flows, migration may be less selective of the skilled and educated (Connell, 1991).

As noted above, New Zealand adopted a points system in 1986 which is selective of the more highly educated and trained. To that extent, the new policy may augment the “brain drain” (or “brain overflow”) from PICs. Of course, New Zealand also admits up to 1100 Western Samoans, regardless of skill level, assuming they meet the necessary criteria, and a very limited number of unskilled workers from Kiribati and Tuvalu. The structural changes experienced by the New Zealand economy in recent years has reduced significantly the number of unskilled operative types of jobs once filled by Pacific Islanders. New immigrants from the PICs increasingly will need a skill and educational profile consistent with New Zealand’s new immigration standards.

There is also a lack of consensus within the Pacific as to whether or not labour migration has led to labour shortages. Va’a (1990:3) has found evidence that Western Samoan migrants, if employed prior to departure, are easily replaced. However, others have reported labour shortages, particularly in the ranks of the PTKs (Jones and Ward, 1981, Hughes *et al.*, 1986). It also appears that labour emigration can cause dislocations in the agricultural sector. In an extensive review of the literature on this issue, Habib (1985:106-118) found that very few studies showed that emigration had had a favourable impact on the agricultural sector. In general, it appears to give rise to reduced output, rising labour costs, mechanisation and idle land. Connell (1980:35) reports that those PICs affected by international migration have witnessed a rise in agricultural wages and a decline in agricultural production. Browne (1989) and Hayes (1992) also found evidence of a decline in productive capacity in agriculture in those villages experiencing substantial inflows of remittances. In the context of the Pacific islands, Fairbairn (1985:204) has argued that labour shortages have occurred because of a remittance-induced reduction in the labour force participation rate. Ahlburg (1991:34) makes the general observation that labour migration, and the reduction in the labour force participation rate due to remittances, both serve to reduce productive capacity. Remittances, on the other

hand, increase income. The question, as he sees it, is whether or not the inflow of remittances more than compensates for the inward movement of the production possibilities curve. Of course, one must also acknowledge that remittances may shift out the production possibilities curve insofar as they are directed into productive investments, whether physical or human.

Skill Acquisition and Return Migration

The opportunity for workers to learn new skills abroad that can be employed upon return is viewed as a major potential benefit of labour emigration. However, four criteria must be met before migrants can make a skill contribution to their country of origin. First, they must return. Second, they must have learned skills while abroad. Third, those skills must be relevant to the needs of the sending country. Fourth, the returning migrants must use those skills upon their return.

In the South Pacific, and specifically in Polynesia, there is very little information concerning the duration of migration. However, it appears that the largest proportion of migration is either long-term or permanent. As already noted, temporary labour migration programs are in place between Kiribati and Tuvalu and New Zealand which permit a small number of persons to migrate to New Zealand. While the period was supposed to be three years, the New Zealand Government has allowed the governments of Kiribati and Tuvalu to renominate persons whose three years had expired.⁵ The scheme with Western Samoa also permits up to 1100 Samoans, regardless of skill level, to migrate to New Zealand if they satisfy the necessary criteria. Both schemes were aimed at giving unskilled and semi-skilled workers from these countries temporary access to the New Zealand labour market. However, we know of no studies which have investigated the propensity of PI migrants to return.

There is evidence that in the last few years there has been some return migration from New Zealand to the PICs. This appears to be driven by continuing unemployment amongst PI migrants due to the restructuring of the New Zealand economy and the consequent extensive loss of unskilled and semi-skilled jobs. The decreasing attractiveness of New Zealand as a destination for low-skilled migrants is at least partly reflected in the fact that the Western Samoan scheme of 1100 migrants per year has been significantly under-subscribed in recent years (Table 2).

While we can only speculate about the amount of return migration to PICs, we can provide some information concerning the type of skills that returnees might have acquired during their work experience abroad. According to Connell (1990:17), PI

⁵ Personal communication by officers of the New Zealand Immigration Service.

migrants end up in unskilled jobs characterised by low pay, insecure employment, few fringe benefits and poor working conditions. Most are engaged in unskilled or semi-skilled factory work. It is therefore unlikely that the types of skills obtained in this type of work would benefit the sending PICs, assuming that migrants return. PI migrants also have a higher than average unemployment rate which means that many are not experiencing skills upgrading as a result of their migration experience. Returnees may well be those who are unsuccessful, i.e. those who have experienced protracted unemployment.

A small proportion of PI migrants are employed in professional, technical, administrative and managerial positions,⁶ but whether or not they will eventually return is a moot point. According to Macpherson (1985), the continuing commitment of PI migrants to their families and villages back home, as reflected in substantial levels of remittances, does not necessarily indicate that they will return.

It seems that whether skill acquisition takes place depends on the type of migrant. Those who take up jobs in the 'primary' labour market have the same opportunities as their indigenous counterparts and are likely to gain skills and knowledge from their work experience. In contrast are those (usually temporary and often illegal) migrants who are channelled into the 'secondary' labour market. These immigrants learn few, if any skills and work under unpleasant conditions and insecure tenure.

It seems likely that the greater one's success, the less likely would be the propensity to return. Return flows may well be dominated by persons who had experienced very little, if any skill acquisition.

The Developmental Consequences of Remittances

The magnitude and use of remittances largely determine the benefits of labour emigration. Remittances can provide a variety of benefits to emigration countries. First, they provide an important non-traditional source of foreign exchange which is often a scarce and constraining factor on development. Second, and abstracting from any possible negative consequences which emigration may have on domestic output, remittances should lead to an increase in real national income, savings and investment. Third, remittances should lead to an increase in the real income of a worker, his/her family and community (Stahl, 1989:366).

⁶ According to the 1991 Census, 14 per cent of those aged 15 years and older belonging to Pacific Island ethnic groups were employed in such positions (New Zealand 1991).

The Amount of Remittances

Table 4 contains information on remittances flowing through official channels to several PICs. It shows that Tonga and Western Samoa have the most significant reliance on remittances relative to GDP. Remittances are relatively unimportant to the Melanesian island states, but comprise a substantial proportion of foreign exchange inflows for the labour-exporting economies of the South Pacific. For the smaller island countries, in particular, remittances constitute a significant proportion of household income. The combination of remittances and aid inflows have become so important to a number of the small PICs, viz. the Cook Islands, Niue, Tokelau, Kiribati and Tuvalu, that they have come to be called MIRAB economies. The acronym stands for migration, remittances, aid and bureaucracy, with the latter being the principal source of domestic wage employment (Bertram and Watters 1985).

While Table 4 provides an estimate of remittances flowing through 'official' channels, the precise magnitude is difficult to judge because of inadequacies in recording methods (Athukorala, 1993), and because unrecorded remittances constitute a large proportion of total remittances (Brown, 1995a; 1995b). Unrecorded remittances also take the form of 'personal baggage', a practice widespread in the South Pacific (Ahlburg, 1991). There is also a significant inflow of 'in kind' remittances which are marketed in Tonga's main flea market in Nuk'alofa by remittance recipients (James, 1991; Brown and Connell, 1993a).

Table 4: Remittances in the PICs

	GDP (millions Aus\$)	Remittances (millions Aus\$)	Remittances as % GDP
Tonga (1989/90)	73.7	43.9	59.6
Western Samoa (1989)	137.8	48.4	35.1
Fiji (1990)	2336.8	-38.6	1.7
Kiribati (1988)	46.9	3.4	7.2
Solomon Islands (1991)	1384.4 (SIS)	0.5 (SIS)	0.1
Vanuatu (1987)	13143.0 (millions vatu)	4.4 (millions vatu)	0.03

Sources: Fairbairn (1991a, 1991b, 1991c, 1992a, 1992b) and Browne (1989)

In his survey carried out in Tonga and Western Samoa, Brown (1994: 354-356) underscores the importance of unrecorded remittances in household income.⁷ As can be seen from Table 5, average total remittances were \$2 513 per sampled household [and \$3 579 per remittance-receiving household (Brown, 1995b:10)]. Of

⁷ The original study was by Brown and Connell (1993).

this amount, only \$1 083 (43 per cent) was received through official channels. Money carried personally to the receiving household amounted to \$344, goods carried or sent back were valued at \$603, and payments made on behalf of the household by migrants overseas, e.g. an airline ticket, was \$483. These unrecorded transfers were \$1 430, or 57 per cent of total remittances.

Table 5: Forms of Remittances, Tonga and Western Samoa, per sampled household, 1992

Form of Remittances	Amount (US\$)	Per Cent
Money transfers ("official")	1083	43
Unrecorded transfers	1430	57
(cash carried)	[344]	[14]
(goods sent/carried)	[603]	[24]
(payment of behalf of)	[483]	[19]
Total	2513	100

Source: Brown (1994:355)

Average remittance income reported per Tonga household was 26 per cent of total household income, and 35 per cent for Western Samoa. Eighteen per cent of Tonga households said that remittances were the main source of their income, compared with 13 per cent for Western Samoa. However, in Tonga 66 per cent of households claimed that remittances were one of three major sources of income, while the corresponding figure for Western Samoa was 92 per cent (Brown, 1995b:7-9).

Although detailed figures are unavailable, these would surely show that the other small island countries, viz. the Cook Islands, Niue, Tokelau, Kiribati and Tuvalu, would be just as dependent on remittances for the maintenance of current welfare levels. This survey shows starkly both the significance of remittances to the welfare level of these islands and the importance of unrecorded remittances. The introduction of restrictive immigration policies toward these island countries would have serious implications for individual welfare.

It also merits pointing out that one of the biggest advantages of remittances, in terms of improving household welfare, is that they bypass traditional authority figures who generally appropriate a portion of household income derived from other sources, e.g. cash income deriving from the sale of agricultural products or even a portion of any aid project which is targeted at the village.

Concern has been expressed that future remittances will decline in Tonga and Western Samoa both because of the reduced propensity of longer-term migrants to remit and a decline in the extent of outmigration. On the basis of 'formal' remittances, Forsyth (1992) has estimated that per capita remittances for Tonga and Western Samoa in the year 2000 will be US\$528 and US\$426, respectively. However, as argued by Brown (1995b), unrecorded remittances are highly significant in these countries and cannot be ignored in policy formulation.

The Use of Remittances

The universal finding, not only from the South Pacific but from around the world, is that remittances are not, to any appreciable extent, directed into real capital formation by remittance receiving households or by returnees. However, these surveys also report that remittance receiving households have a much higher propensity to save relative to households which do not receive remittances.

Remittances have become an important factor in the economies of a number of PICs. Although studies have attempted to assess their developmental impact, comparability between studies is difficult for several reasons. First, there are significant differences in research design and, in some cases, poor questionnaire formulation, both of which appear to reflect a lack of theoretical underpinning. Second, "it is remarkably difficult to draw implications about the use of remittances and their socioeconomic effects ... primarily because the immediate use to which a specific amount of money is put is not necessarily the same as the use which remittances made possible or facilitated" (Standing, 1984:265). Third, generalising from the expenditure patterns out of remittances from one or several village studies is problematic since the apportionment of remittances to various expenditure categories is related to the amount received and for the period over which it is received. If the flow of remittances is small then one would expect a greater proportion to be devoted to basic necessities; if received over a long period then expenditure on such things as house construction and furnishing will decline while investment expenditures will rise⁸.

The limited information available indicates the several major categories of expenditures to which remittances are directed: food, clothing and other basic needs, debt repayment, house construction or extension, purchase of land and, to some extent, children's education. In a study of four different Tongan villages, Faeamani (1995) found that the major categories of expenditure were religious donations, food consumption and household bills (Table 6). He argues that the conventional view that remittances are used exclusively for consumption, and particularly the

⁸ Connell and Brown (1993) found this to be the case in Tonga.

purchase of luxury goods, and that migration does not contribute to economic development in poor PICs such as Tonga, needs to be re-evaluated. Remittances allow Tongans to attain standards of living which would otherwise be difficult to achieve given their country's small fragmented economy.

Table 6: Household Uses of Remittances in Four Tongan Villages

Uses of Remittances	Total Amount (Tonga \$)	%of Total Remittances
Religious donations	29610	21.2
Food consumption	23425	16.8
Household bills	17110	12.2
Education	11154	8
Vehicle maintenance	10510	7.5
Building purpose	8730	6.2
Loan deposit/payment	8100	5.8
Housing furniture	6520	4.6
Purchases for store	6140	4.3
Overseas travel	4600	3.3
Savings	3800	2.7
Store building	2550	1.8
Land preparation	2120	1.5
Village projects	1774	1.3
Fishing equipment	1560	1.2
Fertiliser/ chemicals	1005	0.7
Farm labour	650	0.7
Community projects	510	0.2

Source: Faemani (1995)

It appears that Faemani is equating development with a rising standard of living. However, the conventional view of development is that it is a process of structural change leading to continuing rise in national productivity which allows a sustained increase in consumption standards. Rising living standards are the effect of economic development, not its cause. So the question still remains, to what extent do remittances contribute to economic development?

Impact of Remittances

Overseas workers' remittances potentially can serve as an important source of scarce foreign exchange and investment capital in the context of a growing economy. According to macro growth theory, remittances can help close the "foreign exchange gap" and/or the "savings-investment gap". Despite these potential benefits, most

of those who have undertaken research on remittances and development, including research in the PICs, are less than sanguine about the contribution which remittances can make to the development process. Their pessimistic view derives from (1) a number of empirical studies that purport to show that only a small proportion of remittance income is directed into productive investment (Ahlburg, 1991; Connell, 1991; Forsyth, 1992; Miles *et al.*, 1992; Yusuf and Peters, 1985), and (2) macroeconomic analyses which purport to show that remittances and aid inflows have resulted in a negative gross domestic savings rate (World Bank, 1993:3; Fairbairn, 1991a; 1991b).

However, we believe that this pessimistic view of the developmental impact of remittances is inconsistent both with basic economic theory and with the realities of PI development. To focus attention solely on the immediate use of remittance income is to ignore the considerable stimulus that it can provide to indigenous industries, as well as its contribution to the supply of loanable funds, i.e. investment capital.

Let us deal first with the notion that the inflow of remittances (and aid) can adversely affect the domestic savings effort. Since micro-level data from remittance-receiving households consistently show high rates of savings, it would seem paradoxical that remittances are responsible for a negative rate of savings. However, recent work on migrant remittances in Asia has pointed out that the negative savings rate is simply a product of the national accounting procedures followed to estimate domestic savings (Amjad, 1986; Burney, 1987 and 1988; Athukorala, 1993)⁹. In the context of the South Pacific, the problem is nicely summarised by Brown (1995b:19):

“Given (a) the indirect method of estimating domestic savings and (b) the particular structural characteristics of these economies which imply that a significant part of household income is earned externally, it can therefore be concluded that the low domestic savings rate suggested by the macroeconomic data for Tonga and Western Samoa cannot in itself be considered as evidence that remittances do not make a significant contribution to savings and investment. The negative relationship between remittances and domestic savings reflect an anomaly in the particular accounting procedures used, not any behavioural characteristic of migrants or of the recipients of their remittances”.

Concerning the potential macroeconomic impact of remittances on savings and investment, development theory argues that poverty constrains real investment on both the demand and supply side. Remittances can help loosen these constraints. On the supply-side, remittances give rise to two sources of loanable funds. The first arises directly from the deposit of remittances in the banking system, and the

⁹ Savings are calculated by subtracting aggregate consumption from domestic (national) income. That is, Saving = GDP minus aggregate consumption. Thus any increase in aggregate consumption as a result of transfers abroad must lower domestic savings. This will be the case even if a large proportion of remittances are saved.

second indirectly through the process of output expansion. While it is true that a substantial proportion of remittances received by households flow through informal channels, it is also true that a large proportion flows through formal banking channels. With respect to Tonga and Western Samoa, Brown (1995:10) reports that approximately 76 per cent of cash remittances received by households flow through formal channels. This inflow enlarges the capacity of the banking sector to expand its loan portfolio. It is the purpose of banks and other financial intermediaries to collect small amounts of savings from a wide variety of sources and channel them to companies and individuals in need of funds for investment purposes. Some remittances are deposited and saved for long periods; others are placed in demand deposits with the amount being drawn down and replenished over time so that there is a positive balance over time. Collectively, the “float” in demand deposits, when combined with savings deposits, constitute a huge supply of loanable funds which can be channelled into productive investment.

Remittance income can also expand indirectly the supply of loanable funds through its immediate impact on output. Part of the profits deriving from expanded output will become an additional source of finance for the expansion of investment. But this brings us to the demand side of real investment. In poor countries, poverty constrains investment because of a lack of effective demand for the goods and services which that investment might produce. However, by increasing household income, remittances increase demand for locally produced goods and services. It is true, particularly in the context of the PICs, that a substantial proportion of additional household income (including remittance income) will leak into imports. But not all will. Imports comprise between 40 and 70 per cent of GDP in the PICs (Browne, 1989:13). However, materials and capital equipment have accounted for up to one half of total imports, while petroleum products account for 15 per cent. Food, beverages and finished consumer goods account for 35 to 40 per cent of imports. The ratio of food, beverages and manufactured imports to private consumption expenditure varies considerably between islands from a low around 10 per cent for Fiji to around 50 per cent for Western Samoa¹⁰. Of course, a substantial proportion of manufactured imports would be consumed by the government. If one-half of all manufactured imports were consumed by the government, then in Western Samoa roughly 30 per cent of private consumption would be satisfied through imports. Assuming that the marginal propensity to import is equal to the average, this would mean that about two of every three dollars of remittance income consumed is spent on domestically produced goods and services. At least we could safely say that between half and two-thirds of private consumption expenditures are directed to domestically produced goods. Assuming a marginal propensity to

¹⁰ The authors were unable to acquire data in sufficient detail to estimate this ratio for all of the PICs.

consume of 0.9 and a marginal propensity to import of 0.4, the remittance (private consumption) multiplier would be equal to 2.0. While this Keynesian type multiplier is only a theoretical potential, nonetheless, theoretically the expenditure of remittances can result in a substantial expansion of domestic output. In an exercise designed to gauge the potential impact of remittances to Bangladesh on domestic economic activity, Stahl and Habib (1989) found that despite a significant level of leakage of remittances into imports, a large proportion of remittances were spent in those sectors of the economy which had strong linkages with the rest of the economy and hence had the potential of contributing substantially to GDP and domestic employment.

Whether or not the remittance induced expansion of GDP will reach its theoretical potential depends on the supply side as well. It has often been argued that domestic industries are largely incapable of responding to increases in demand for their output¹¹. Rather, these supply inelasticities result in inflation. However, there is no evidence that remittances are responsible for generalised inflation, although specific prices have been boosted by remittances expenditures, in particular, land and construction materials. In the context of the South Pacific, there is evidence that in recent years, in particular, domestic entrepreneurs are responding to increasing demand for their products (Brown, 1993; Brown and Connell, 1993; Walker and Brown, 1995).

To suggest that labour emigration and remittance inflows are not conducive to economic development begs the question whether or not any stimulus to the economy in question (e.g. a sustained rise in the price of an important export commodity), would be developmentally beneficial. Unless a government is committed to sustainable development, and has the **appropriate** policies in place to effect that development, no external stimulus is going to have a positive impact on development.

There are examples of countries engaged in labour export during early stages of development. These countries, through the creation of appropriate institutions and the adoption of growth oriented policies, directed the remittances of overseas workers into productive investment, and have become so successful that they now find themselves with labour shortages and the need to import labour. Singapore, Taiwan, South Korea, Japan, and, in the transition, Mauritius and Thailand, come to mind.

The lesson is that labour export, in some cases, can be a useful adjunct to an overall development strategy. However, it can never serve as a cornerstone of development policy. If governments have the recipe right, labour export, remittances and skill

¹¹ Alhburg (1991: 36) argues that this is the case for Western Samoa and Tonga.

acquisition through migration can all serve as a positive stimulus to development. If governments are using the wrong developmental recipe then one cannot expect labour exports and remittance inflows to carry the proverbial can.

Determinants of Remittances and Remittance Policy

That remittances can serve as an important source of investment funds raises the question whether or not the propensity to remit might be influenced by policy. Governments of countries actively involved in labour export have introduced a variety of schemes aimed at increasing the flow of remittances through the formal financial sector (Athukorala, 1993). These schemes aim at increasing the proportion of overseas workers earnings which are directly invested in the origin country either in real or financial assets.

Econometric analyses of the determinants of remittances have not been encouraging concerning the effectiveness of policies aimed at enhancing the inflow of remittances. Swamy (1981) found that the most important determinants of total remittances were exogenous factors which affected the numbers of migrants abroad and their per capita income level, explaining between 70 and 95 per cent of variations in the level of remittances. Also important was the demographic characteristics of the migrants. There was a statistically significant relationship between the ratio of females to the total population of the migrant community and the level of remittances. Importantly, policy variables in the origin country such as interest rate premiums and preferential exchange rates were found to be unimportant determinants of remittances. Similar results were obtained in an econometric analysis of the determinants of remittances of Turkish workers in Germany by Straubhaar (1986), although studies from the South Pacific are more sanguine concerning the possibility of the propensity to remit being influenced by policy (Brown, 1995b; Foster, 1995; Brown *et al.*, 1995).

To maximise the amount of remittances which flow through and are deposited in the formal financial sector will require policies which make investment in the assets (e.g. term deposits, savings deposits, government bonds, insurance policies) of that sector attractive. In the first instance, policies must be followed which will provide a stable macroeconomic environment, particularly low inflation and a sound international currency. High and varying rates of inflation and instability in the foreign exchange rate can greatly reduce the attractiveness of assets offered by the financial sector. Such instability pushes savings away from financial assets into real assets, e.g. land, housing, jewellery, etc. Assuming that confidence in the financial sector can be created, the next step will be to ensure that the assets of that sector are competitive with assets which overseas workers can obtain elsewhere.

This boils down to offering a real rate of return on financial assets which is attractive (Brown *et al.*, 1995). Initially, this may require offering some risk premium to remitters (over and above what they could obtain elsewhere) until confidence is built up in the financial system. Using data from Tonga and Western Samoa, Foster (1995) found evidence that suggests that remittances are sensitive to variation in real interest rates.

Migration, Remittances and Development: Some Policy Recommendations

We have yet to ask what is meant by development in the PICs and whether or not it is obtainable. Defining economic development is complicated (particularly in the context of labour emigration) by what we view as the object of development -- the individual, family, community, the state. If we focus on the individual, should not that person be given the opportunity to improve him/herself whether by participation in the domestic economy or by migration? If it is ultimately individual welfare that is under consideration then constraining individual decision-making by restricting migration opportunities cannot be seen as promoting development. It would seem that the only case in which one could justify, for developmental reasons, restricting emigration would be if development requires a collective effort whose outcome (the whole) is greater than the sum of its parts (individual efforts). According to this line of reasoning, individuals/families might improve their own welfare by emigration, but at the expense of the development of the whole country. This is possible, but after years of research in the subject of international migration, the authors are of the view that this is a proposition that no one is going to prove. There are just too many intervening variables.

If development is seen more broadly as the creation of the conditions for a 'sustainable' rise in per capita output, then several further questions must be posed. Is the physical and human resource base of the PICs sufficient to attain a sustainable rise in per capita income? If not, is development still obtainable in some non-conventional form. If so, perhaps that form involves, at least for the foreseeable future, some degree of labour emigration.

Traditionally, sustainable development has been referred to as a process whereby output per capita rises over time in ways which benefit the masses without compromising the welfare of future generations. The idea is that growth in output per capita should not lead to such a depreciation of the natural and man-made stock of capital that it leaves future generations worse off. The word "process" in this definition refers to fundamental structural changes in the economy which are associated with changes in fertility, educational attainment, labour force characteristics, trade and investment. It is generally believed that the extent to which a country can achieve sustainable development depends significantly on the extent of its resource base relative to its population size. Some exceptional economic

features, such as proximity to rapidly growing markets, can override an initial poor resource base, e.g. Singapore and Hong Kong. But for most countries, their initial resource base is an important determining factor in their development potential.

A number of scholars have concluded that sustainable development in small island states, in the traditional “bootstraps” meaning of the term, is unobtainable (Bertram and Watters, 1985; Bertram, 1993). Attempts to satisfy rising consumption aspirations through domestic productive efforts eventually will founder as a result of resource constraints and environmental damage. It is our view that, as a blanket generalisation, this is incorrect. While it may hold for some of the PICs, it does not necessarily hold for others. We believe, with several New Zealand officials, that the islands can be divided into three groups -- “unfurnished”, “partly furnished”, and “fully furnished”. Or, using more conventional developmental jargon, each group faces different resource constraints¹². Those islands which we would place in the “unfurnished” group are the micro-states of Tuvalu, Kiribati, Tokelau, Niue and the Cook Islands. In the “partly furnished” group we would place Tonga and Western Samoa. PNG, Fiji, Solomon Islands and Vanuatu would be placed in the “fully furnished” group, although in a few cases there is a serious need to rearrange the furniture.

The criteria that we use to group individual countries into their respective categories is somewhat general. We are concerned primarily with development potential rather than current levels of per capita income. While we are certainly not neo-Malthusians, nonetheless we believe, as noted above, that a country’s development potential is determined in a large part by its resource base relative to its population. The statistical information contained in Table 7 pertaining to the basic characteristics of the countries gives some insight into their heterogeneity. This information, combined with the views of a number of experts consulted during the research for this project, provides the basis for grouping the countries into the three categories suggested.

The nature of the ‘development’ process and the importance of migration and remittances in that process then hinges crucially on the category in which a country falls. For the “unfurnished” states, the model of development will approximate that envisaged in the MIRAB model (Bertram and Watters, 1985, Bertram 1993). In this model, labour emigration and remittances are central to improvement in the welfare of the island’s population. Although limited increases in domestic productivity can be obtained through the implementation of more appropriate policies, the maintenance and improvement of current consumption standards will necessitate continued migration and remittances. It is imperative in the case of these “unfurnished” microstates that neighbouring developed countries provide at

¹² We are going to ignore the North Pacific islands and French Polynesia in our discussion.

least limited access to their labour market, either on a temporary or permanent basis.

Migration and remittances should continue to play an important role in the development of the “partly furnished” PICs, at least in the medium term. Currently, labour services are the principal export of these island economies -- their current comparative advantage. Of course, it is crucial that appropriate policies be established to ensure that the developmental stimulus which labour export and remittances can provide is harnessed for the development effort. The introduction of these policies can be facilitated by continued and expanded Australian assistance to human resource development and institutional strengthening. An important aspect of this assistance would be to provide intensive training for planners in the use of the Population-Development-Environment Model for sustainable economic development (see Lutz 1994). This model was developed out of the markedly successful development experience of Mauritius. But to give substance to this strategy, we also need to provide an expanded market for their main export -- labour services. This need only be on a temporary basis; comparative advantage is a dynamic phenomenon. Under appropriate development policies, the “partly furnished” island should be able to transform their comparative advantage away from the export of labour services toward domestically based productive activities. Other forms of migration can play an important role in the development of these “partly furnished” islands. In particular, increased provision should be made for students to acquire education and skill acquisition in Australia, as well as both in their own country and third countries.

With regard to the “fully furnished” PICs, we do not see a need to introduce any type of concessionary migration program. Traditionally, these countries have not engaged in international migration anyway. Their resource base has been sufficient to provide for current conventional subsistence requirements. However, their continued rapid population growth and resource exploitation will have to be brought rapidly under control if they are to achieve sustainable development over the longer term. Australia has a potentially important role to play in this process. In particular, it should increase its commitment to human resource development and the strengthening of institutions. Particular focus should be given to the education of planners and supportive personnel in the use of the Population-Development-Environment model. More generally, increased educational and skill acquisition opportunities should be made available to citizens of these countries both within Australia, their own countries, and in third countries within the region.

Table 7: Basic Characteristics of Selected Pacific Island Countries

Country	Land Area	Population	Density	% Growth	GDP per Capita (A\$)	Year	Foreign Aid/Capita (A\$; 1990)	Exports (A\$'000; 1990)	Imports (A\$'000; 1990)
Cook Islands	237	17400	73	1.07	4837	1990	912	6287	64137
Fiji	18272	742000	41	1.91	2312	1991	15	636404	953883
Kiribati	690	73500	107	2.07	696	1989	421	3681	34446
Niue	259	2200	8	-5.27	1553	1984	4034	67	-
PNG	462243	3963	9	1.48	1302	1990	127	1993628	1903203
Solomon Islands	27556	328000	12	3.67	734	1990	174	97862	126942
Tokelau	10	1600	160	-1.33	478	1980	3750	239	2667
Tonga	747	96900	130	0.49	1297	1990	389	15299	78989
Tuvalu	24	9100	380	2.30	1245	1990	694	312	5170
Vanuatu	12190	151900	12	2.41	1379	1990	337	25023	128273
Western Samoa	2935	161100	55	0.28	936	1990	160	11985	113110

Source: South Pacific Commission, South Pacific Economies Statistical Summary: SPSS, No. 13, 1993.

Such indirect investment (in human resources) would increase national productivity in the PICs. However, there is scope for more direct faster acting investments which can be facilitated through Australian cooperation. Here we are thinking of the encouragement of joint ventures between Australian companies and companies in the PICs. Such ventures should aim at transferring skills and technology in industries which are appropriate to the PICs. Such ventures should also be sensitive to the fragile ecosystem characteristic of the islands.

It should be clear that our views and policy recommendations differ from those of Cuthbertson and Cole (1995). They posit that “it is possible that increasing the migration option of people in the South Pacific islands might actually discourage efforts to improve domestic policies”, and “that is not clear that the net effect of remittances (and aid) is conducive to long-term economic viability and prosperity” (p. xiv). We would not disagree that what is imperative, particularly in the “partly furnished” and “fully furnished” islands, is the introduction of the appropriate development policies. However, it is our view that to close off migration options and/or reduce aid for the “unfurnished” and “partly furnished” islands, as a means of encouraging the adoption of “appropriate” policies for sustainable development, would be to cause significant reductions in welfare for the citizens of these microstates. As argued by Connell and Brown (1995), many of the countries of the South Pacific region have a limited development potential and that any moves toward self-sufficiency, with its corresponding decline in migration and remittances, would be both painful and difficult.

While we are aware that factor endowments must not be viewed statically, i.e. that comparative advantage is a dynamic concept, we also believe that for the foreseeable future, given their size and remoteness, the currently “unfurnished” microstates of the South Pacific stand little, if any chance of “bootstraps” sustainable development. Moreover, for the “partly furnished” PICs, labour services are their principal export. To deny them, in the name of development, a market for their principal export is twisted logic. Like any other export, in the right policy context labour export and remittances can serve as a stimulus to economic development and a change in comparative advantage.

Australia needs to recognise that the islands of the South Pacific are not homogenous. Their development prospects differ significantly. Thoughtful and helpful policies toward these countries would recognise the differences. To unilaterally rule out any form of concessionary migration toward some of the islands, either in the name of Australia’s “non-discriminatory” immigration policy, or under the guise of forcing the countries to adopt appropriate development policies, is to close off policy options which may be the only way in which Australia can provide meaningful development assistance to some of these islands.

Summary and Conclusions

Most of the research on international migration and remittances in the South Pacific has been less than sanguine about the role it might play in the development process. The dependency theories, which are an outgrowth of Marxist thinking, and the MIRAB model, which is a variant of dependency theory, view the islands as an international labour reserve whose purpose is to serve the industrial economies on the periphery when it suits these economies. It has been argued that this has created a dependency mentality with the result that there are insufficient efforts within the islands to initiate self-sufficient sustainable development. Another pessimistic picture has been painted by the World Bank structural adjustment school. There are two facets to their argument. The first is that aid and remittances have reduced the domestic savings effort. The second is that migration, remittances and aid have served as a 'safety valve', alleviating labour market pressures created by poor economic management. In this view, the developed countries would be doing a service, in the longer-term, by reducing aid and migration opportunities and forcing the island governments to adopt population control programs and outward looking development strategies which would create the basis for sustainable development. In short, a slower growing labour force pursuing its comparative advantage is the solution.

It would seem ironic, in view of the collapse of the socialist economies and the comprehensive discrediting of Marxism as a guide to economic development, if the capitalist economies on which the islands are reliant for aid and remittances decided that those of the dependency school were correct -- that capitalist penetration, labour migration and remittances have served to block economic development by fossilising traditional economic structures and creating a 'migrant syndrome' in which households have come to rely on remittances to maintain consumption standards. As we have tried to emphasise, migration and remittances have played a much more important development role in these economies than was hitherto thought.

The PICs have been involved seriously in international labour migration only for the last 30 years. At the time of the commencement of this migration, they were highly traditional agriculturally oriented socioeconomic systems. They had a very limited number of educated professional people and hence a very limited capacity to plan, let alone administer, the difficult task of development with the socioeconomic transformation this requires. Moreover, 30 years ago there was little consensus amongst development economists as to the best course to follow. Nor

was there any consensus on the role that the state should play in the process. That the island countries did not get the development recipe right is not unexpected; they have had a lot of company.

It is important also to reiterate that comparative advantage is a dynamic phenomenon. Investment in human and physical capital will change a country's comparative advantage. In this regard, remittances and aid have done much to increase educational attainment in the islands and to create physical infrastructure. Migration has given Pacific Islanders another kind of broader education. As a result of their experiences abroad, many have become budding entrepreneurs and are involving their relatives in their ventures. This accumulation of experience and education, in combination with the capital which overseas employment provides, is causing a gradual transformation of some of these island economies. Increasingly islanders are both creating and taking advantage of new investment opportunities.

Some would oppose expanded migration opportunities for Pacific Islanders on the basis that Australia pursues a non-discriminatory non-concessionary immigration policy. In the words of Cuthbertson and Cole (1995:50), "any new scheme — whether it be a guest-worker scheme with special visa conditions of entry for people from South Pacific island states, visa-free entry or citizenship status — would set precedents that might lead other countries to demand similar treatment". However, the extent to which Australia's immigration policy is non-discriminatory and non-concessional is debatable. While it is not our purpose to delve into this issue, we would like to point out that Australia's policy does discriminate against those who have low skill levels and low levels of educational attainment. Roughly 4 billion people fall into this category. We also grant concessions to migrants who have a family member in Australia. We are also selective about from where our refugees, and eventual family reunion migrants come. But most importantly, we give the ultimate concession to New Zealanders in that they have completely unconstrained immigration opportunities.

There are other ways in which Australia can assist the PICs through its aid and migration programs. De facto, we already have granted Cook Islanders, Niueans and Tokelauns concessionary immigration opportunities by virtue of their New Zealand citizenship. For equality of treatment, if nothing else, the other "unfurnished" small microstates, viz. Kiribati and Tuvalu, should be granted access to the Australian labour market through at least temporary labour migration program, if not free migration.

It is our view also that Tongans and Western Samoans should also be granted, in limited numbers, access on a temporary basis to the Australian labour market. Labour services are, for now, the major export of these countries. The payment for

their labour services — remittances — can and are helping to transform these economies and change their comparative advantage. This transformation process will be facilitated if labour exports can be expanded. Australia can further assist this transformation process by helping to build the level of skills and education in these countries. In particular, Australia can make an important contribution to the islands by helping educate planners and administrators in the methods and perspectives underpinning the Population–Development–Environment model developed out of the Mauritius experience.

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Appendix Ia

WORK PERMIT SCHEMES — Kiribati Work Permit Scheme

The purpose of the scheme

V11.62 The Kiribati work permit scheme was set up by the Governments of New Zealand and Kiribati to provide temporary work opportunities in New Zealand for a limited number of Kiribati nationals each year. Such work opportunities are to provide the participants with:

- income,
- job skills,
- on the job training,
- work experience.

Numbers and selection criteria

V 11.62.1 Up to 20 workers* per year from Kiribati may be issued work visas provided the applicant:

- (a) is aged between 20 and 45 years; and
- (b) is in good health and of good character, and
- (c) is resident in Kiribati at the time of application.

* NOTE: This figure will be reviewed from time to time by consultation between the Governments concerned to take account of:

- (i) the current state of the labour market in New Zealand;
- (ii) the needs of Kiribati;
- (iii) the way the scheme is functioning.

Employment placement

V11.62.2 The Kiribati Honorary Consul is responsible for identifying suitable job opportunities in New Zealand and for arranging placements with employers. There are no restrictions on the types of jobs to be offered. Where training in New Zealand is involved, arrangements are made between the Honorary Consul, the worker, and the employer or training institution.

V11.62.3 Any vacancies identified by the Honorary Consul are advised to the Kiribati Ministry of Trade, Industry and Labour, together with the names of the prospective employers, the numbers of workers and the skills required. At the

same time a copy of these details is sent to the New Zealand Embassy in Suva and to the NZIS office in New Zealand closest to the area where the jobs are located.

V11.62.4 The Ministry of Trade, Industry and Labour in Kiribati is responsible for selecting workers for the scheme. Vacancies will usually be advertised and the selection made from those who apply. Where special skills are required it is the responsibility of the selection authorities to ensure that the workers chosen have the necessary skills.

V11.62.5 In exceptional cases, when an employer in New Zealand nominates a particular worker, this worker may be selected without the need to advertise. The final decision however rests with the selection authorities in Kiribati.

Repatriation

V11.62.6 It is the individual work scheme participants' responsibility to save sufficient funds for themselves and their family during the period they are working in New Zealand to cover the costs of their return fares. The Honorary Consul for Kiribati will discuss arrangements for compulsory saving with employers. Any arrangements for advancing airfares and for recovering these costs are the responsibility of the Honorary Consul with involvement as may be appropriate of either:

- (a) the Kiribati authorities; or
- (b) the employer through direct contact with the work scheme participant.

Travel to New Zealand

V11.62.7 Travel arrangements are made between:

- the work scheme participant;
- the Kiribati Ministry of Trade Industry and Labour;
- the Honorary Consul for Kiribati in New Zealand.

V11.62.8 The Kiribati authorities are responsible for advising the Honorary Consul of the travel details. The Honorary Consul is responsible for the work scheme participant's reception arrangements on arrival in New Zealand, including their initial accommodation. Wherever feasible, arrangements should be made for work scheme participants to travel to New Zealand in groups.

V11.62. All work scheme participants in New Zealand are subject to the standard conditions of employment for their trade. They are:

- subject to New Zealand tax.;
- covered by the New Zealand Accident Rehabilitation and Compensation Insurance Act 1992;

- entitled to all the Social Welfare benefits available under current law and policy.

It is the responsibility of the work scheme participants or their employers to arrange insurance protection for sickness, hospitalisation or death beyond that provided by the Act.

Work visas

V11.62.10 Applications are completed by the selected applicants and are forwarded by the selection authorities to the New Zealand Embassy in Suva, Fiji. Each application must be sent together with:

- the applicant's travel document and photograph;
- the visa fee;
- a police certificate;
- completed medical and x-ray forms.

V11.62.11 A work visa authorising work for the length of time specified in the guarantee of employment up to a maximum period of 3 years may be issued provided:

- (a) the employment offer is still valid; and
- (b) the applicant meets the standard requirements for a work visa, modified to incorporate the special arrangements for repatriation and health and welfare set out in the foregoing paragraphs.

V11.62.12 Once the visa has been issued, the travel document containing the visa is returned to the Kiribati selection authorities by the New Zealand Embassy in Suva, Fiji.

Spouse and dependants

V11.62.13 Work scheme participants are usually expected to travel to New Zealand without family initially so that they can establish themselves and be better placed to provide for their family should they subsequently join them. Their spouse and dependants may join them in New Zealand provided:

- a) they meet the standard requirements for a visitor's visa modified to allow for their maintenance, accommodation and repatriation to be the responsibility of the work scheme participant; and
- (b) satisfactory accommodation arrangements have been made for them.

V11.62.14 Work scheme participants with large families should be discouraged from bringing them to New Zealand because of the high cost involved in supporting them. Older children in their late teens who are capable of supporting themselves are not considered to be dependants.

Appendix Ib

WORK PERMIT SCHEMES — Tuvalu Work Permit Scheme

The purpose of the work scheme

V11.63 The Tuvalu work permit scheme, set up by agreement between the Governments of New Zealand and Tuvalu, provides opportunities for nationals of Tuvalu to work in New Zealand for up to 3 years. The scheme is intended to provide participants with:

- income,
- job skills,
- on the job training,
- work experience.

Under the agreement, up to 80 workers from Tuvalu may be employed in New Zealand under the scheme at any one time.

Selection criteria

V11.63.1 Applicants must:

- (a) be aged between 20 and 45 years;
- (b) be medically fit, and of good character;
- (c) have their nomination for inclusion in the scheme approved by the Government of Tuvalu.
- (d) be resident in Tuvalu to be eligible for selection.

V11.63.2 The Tuvalu authorities are responsible for selecting workers for the scheme. Where special skills are required it is the responsibility of the selection authorities to ensure the workers chosen have the necessary skills.

Employment and administration

V11.63.3 The Tuvalu Honorary Consul and the Tuvalu Liaison Officer are responsible for identifying suitable job opportunities in New Zealand and for arranging placements with employers. The Tuvalu Liaison Officer is also responsible for liaising with the NZIS over any matters relating to the scheme or individual participants. Vacancies under the scheme are deemed to arise when for

any reason a worker leaves the scheme (e.g. returns to Tuvalu, gains residence in New Zealand).

V11.63.4 There are no restrictions on the types of jobs to be offered. Where training in New Zealand is involved, arrangements are made between the Honorary Consul or Liaison Officer, the worker, and the employer or training institution.

V11.63.5 Any vacancies identified by the Honorary Consul or Liaison Officer together with the names of prospective employers, the numbers of workers, and the skills required - are advised to both the Tuvalu authorities and the Manukau Office of the NZIS, which monitors the scheme and keeps a register of places filled. Copies of these details are also sent to the NZIS office closest to the area where the jobs are located and to the New Zealand Embassy in Suva.

Repatriation

V11.63.6 It is the individual work scheme participants' responsibility to save sufficient funds to cover the costs of return fares for themselves and any accompanying family during the period they are working in New Zealand. The Honorary Consul for Tuvalu will discuss arrangements for compulsory saving with employers. Any arrangements for advancing airfares and for recovering these costs are the responsibility of the Honorary Consul with involvement as may be appropriate of either:

- (a) the Tuvalu authorities; or
- (b) the employer, through direct contact with the work scheme participant.

Travel to New Zealand

V11.63.7 Travel arrangements are made between the work scheme participant, the Tuvalu authorities, and the Honorary Consul or Liaison Officer in New Zealand. Wherever feasible, arrangements will be made for work scheme participants to travel to New Zealand in groups.

V11.63.8 The Tuvalu authorities are responsible for advising the Honorary Consul of the travel details. The Tuvalu Liaison Officer is responsible for the work scheme participants' reception arrangements on arrival in New Zealand, including their initial accommodation.

Health and welfare

V11.63.9 All work scheme participants in New Zealand are subject to the standard conditions of employment for their trade. They are:

- subject to New Zealand tax;

- covered by the New Zealand Accident Rehabilitation and Compensation Insurance Act 1992;
- entitled to all the Social Welfare benefits available under current law and policy.

It is the responsibility of the work scheme participants or their employers to arrange insurance protection for sickness, hospitalisation or death beyond that provided by the Act.

Work visas and work permits

V11.63.10 Applications by the selected applicants are forwarded by the selection authorities to the New Zealand Embassy in Suva.

Each application must be accompanied by:

- the applicant's travel document and photograph;
- the application fee;
- a police certificate;
- completed medical and X-ray forms.

NOTE: On receiving the application the Embassy in Suva must confirm with the Manukau office of the NZIS that a vacancy on the scheme exists and must also notify the Manukau office of the decision on the application.

V11.63.11 A work visa authorising employment for 12 months in the first instance may be issued provided:

- (a) the employment offer is valid; and
- (b) the placement is confirmed by the Manukau office of the NZIS; and
- (c) the applicant meets the standard requirements for a work visa, modified to incorporate the special arrangements for repatriation and health and welfare set out in the foregoing paragraphs.

V11.63.12 Further permits allowing a maximum stay of 3 years may be granted on application provided the applicant produces evidence of continued employment under the scheme.

Spouses and dependants

V11.63.13 Work scheme participants are expected to travel to New Zealand without family initially so that they can establish themselves and be better placed to provide for their family should they subsequently join them. Their spouses and dependants may join them in New Zealand provided:

- (a) they meet the standard requirements for a visitor's or student visa modified to allow for their maintenance, accommodation and repatriation to be the responsibility of the work scheme participant; and

- (b) satisfactory accommodation arrangements have been made for them.
- V11.63.14 Work scheme participants with large families are discouraged from bringing them to New Zealand because of the high cost involved in supporting them. Older children in their late teens who are capable of supporting themselves are not considered to be dependants.

Appendix 1c

Western Samoan Quota Scheme

Introduction

A special Western Samoan Quota was established by agreement between the Governments of Western Samoa and New Zealand in 1970. Under the scheme up to 1100 Western Samoan citizens may be granted residence each year if they meet the criteria below. Accompanying dependants are counted against the quota.

Criteria

To qualify under the Western Samoan quota, principal applicants must:

- apply on a quota enrolment form to the NZ High Commission in Apia;
- be citizens of Western Samoa and be resident in either Western Samoa or American Samoa at the time of application;
- be aged between 18-45 years (inclusive);
- hold a recent offer of employment in New Zealand. This may be in any occupation, skilled or unskilled, but must be an original and be no more than one month old at time of application.

Applicants and any dependants accepted under the quota must:

- meet the acceptance requirements (section 7-C);
- meet immigration health and character requirements;
- meet a minimum level of English language ability;
- attend an interview with a visa officer.

Married applicants are subject to an accommodation check. Those with dependent children must also meet a minimum income requirement intended to ensure they can support themselves and any dependants. This is set at the GRI married rate PLUS the maximum accommodation benefit and is reviewed annually. It is currently NZ\$435 per week or NZ\$22 620 per year.

Procedures

1. The availability of quota leaflets/enrolment forms is advertised in Western Samoa in April and May each year by newspaper and radio.
2. Quota enrolments are accepted (by mail only) from 1 June to 30 June, and must be accompanied by a job offer. Applications for the quota close on 30 June and if the number of applications exceeds the quota, are balloted.
3. Enrolment applications are checked and ineligible applicants (eg those over 45, or whose job offer more than one month old) are declined.
4. All job offers are then checked, either directly with the employer or through regional and branch offices.
5. Applicants whose job offers are acceptable are invited to lodge a formal application for residence and an accommodation check is requested for those who are married through the relevant regional or branch office.
6. Applicants are interviewed to assess their English language ability, and clarify any points which are not clear from their application. Eligible applicants are requested to complete medical examinations.
7. Once they have met all immigration formalities, applicants are issued with residence visas. Because employers will not normally hold positions open for lengthy periods visas are usually made current for travel within one month.

Appendix 2

The Terms of Reference: Some Observations

We refer to *paragraph 2* of the Terms of Reference: In comparison to New Zealand's policies, successive Australian Governments have rejected requests for concessional migration for the PIC nationals. The main reasons given are that,

- 1) there is a lack of evidence to suggest that such policies have a long term benefit to the PICs, and that
- 2) it is considered to be inconsistent with Australia's non-discriminatory migration policy.

Paragraph 3 of the Terms of Reference indicates AusAID's belief that a study, specifically focusing on the New Zealand experience and policies on the PIC's migration, is necessary to gain a clearer understanding of the costs and benefits of the New Zealand program for the PICs.

Re 1) above: it is being argued that concessional migration policies have not been implemented partly because there is lack of evidence that such policies have a long-term benefit to the PICs. A study of New Zealand's experience, it is further argued, would provide a clearer understanding of the costs and benefits of the New Zealand programme for the PICs. New Zealand governments, as we will show, have implemented a number of concessional migration policies relating to specific PICs. Although our study will attempt to show some of the consequences of these policies for the island states, these are difficult to evaluate in isolation from other policies (relating to island states) and also because island states are diverse in many aspects including size, population and resource base. Cuthbertson and Cole (1995: 49) concluded that the benefits and costs of emigration (from PICs) are not easy to weigh up. While remittances may provide a source of export revenue, this may crowd out other forms of export activity. Nor is it clear that "... the net effect of remittances (and aid) is conducive to long term economic viability and prosperity". Fairbairn (1993: 311) makes a similar point - "it is well-nigh impossible, given the current state of knowledge, to judge whether the benefits outweigh the costs". Nonetheless, we will assess available evidence in an attempt to evaluate whether or not New Zealand's concessional migration policies for PICs have been of long term benefit to the PICs.

Re 2) above - that concessional policies are considered to be inconsistent with Australia's non-discriminatory migration policy - we disagree that Australia's migration policy is non-discriminatory. In respect to New Zealand, for example, there are no restrictions on entry to Australia of New Zealand citizens, nor any restrictions on entry to New Zealand of Australian citizens. This is not simply a labour migration agreement, it relates to all Australian and New Zealand citizens. Furthermore, as we will show, this policy has wider, significant implications for persons from Pacific Island countries, many of whom have acquired New Zealand citizenship and are therefore eligible to enter Australia under its "concessional migration policy" with New Zealand.

The concessionary issue concerning migration policy has been widely discussed in New Zealand. The New Zealand Planning Council (1991: 55) acknowledged that policy makers and politicians face a dilemma in attempting to avoid charges of discrimination in a policy environment which "has to allow for exceptions to general rules". By definition, the Council argued, immigration policy must be selective, otherwise there would be no reason for regulating the flow of non-citizens into a country. New Zealand has long-standing bilateral *preferential* arrangements with Australia, The Netherlands and certain Pacific Island countries. Furthermore, a Working Party on Immigration (Wilson, et al, 1991: 9) readily acknowledged the possibility that even under a points system (operating in both Australia and New Zealand) a "disproportionate number of those who qualify for permanent entry may come from one particular part of the world", and that a points system "cannot be used as the only criterion to assess all applicants for residence". Some exceptions (including those accorded to some Pacific Island states) from general policy based on a points system will, the Working Party concluded, generate claims of discrimination and favouritism. The dilemma for policy makers is how to retain important long-standing arrangements with neighbouring countries without compromising a policy which is clearly designed to attract immigrants with skills and capital into an economy which, at the time, was severely depressed.

The Working Party therefore recommended that there be no change in the special provisions that had traditionally been accorded some Pacific Island countries. These, it concluded, should "continue in force". Indeed, the Minister's Review of Immigration Policy in August 1986 suggested that South Pacific work permit arrangements might be integrated more closely with seasonal requirements arising from horticultural development in parts of New Zealand, and "assessments of the availability of New Zealand workers" (Burke, 1986: 32).

Concessionary migration policies are not confined to Australia and New Zealand. Residents of the three French Pacific territories - New Caledonia, French Polynesia

and Wallis and Futuna - can move freely between the territories and France; residents of American Samoa, CNMI and Guam are United States citizens; and nationals of the Federated States of Micronesia, the Marshall Islands and Palau also have unhindered access to the US (South Pacific Commission, 1994). Indeed, a large number of citizens of Western Samoa crossed into American Samoa between 1950 and 1985 with the intention of migrating to Hawaii or the mainland US (Brissette, 1992: 13).

Australia's migration policy *is* discriminatory in the sense that, together with other countries, it has adopted concessionary policies based on historical political connections.