Fishing boats, Kiribati (Brooke Campbell/Flickr CC by-NC-ND 2.0)

The Pacific's independent small island states: time running out?

By James Batley and Meg Keen
12 October 2017

Whatever their natural endowments and colonial inheritances, the future of the Pacific Island countries (PICs) of Nauru, Tuvalu and Kiribati must have seemed precarious at the time of independence (1968, 1978 and 1979 respectively) with their small populations (Nauru just over 6000; Tuvalu just under 8000; and Kiribati under 60,000) and isolated locations. In addition, all three countries lacked any formal arrangement with a metropolitan state. This set them apart from many other small island states and territories in the Pacific.

Over time these three countries have developed highly adaptive national survival strategies which involve: the exploitation of natural resources, including phosphates and fish; high levels of foreign aid; leveraging sovereign status (all now have diplomatic relations with Taiwan and an increasing number of other states); the use of shared specialist regional services (for example in the judiciary); the intermittent exploitation of windfall gains (such as selling the '.tv' internet domain in Tuvalu and operating a Regional Processing Centre in Nauru); and, to a limited but growing extent, the export of labour.

A recent workshop at the Australian National University explored the challenges facing these states and whether their improvisational models for national survival might be sustained, or might rather be overwhelmed by a combination of overpopulation, overfishing, weak resource management and climate change. Might a tipping point be approaching that would demand a step-change in national strategies and development partner engagement, particularly Australia?

Where can growth come from?

Development barriers for these countries are well documented (Duncan et al. 2012; Winters and Martins 2004). All three suffer severe disadvantages of scale and distance which limit opportunities for economic growth, private investment and generation of government revenue. Patchy transport and internet connectivity also hinder development. So where can sustainable growth come from?

Scholars such as Duncan et al. (2012) argue that transformative change remains possible through targeted policy reforms. For example, reforms to improve the performance of state-owned enterprises, education programs and taxation systems, it is argued, could promote growth notwithstanding diseconomies of scale and distance. Sharing services with Australia and New Zealand in areas such as business regulations and standards could enhance competitiveness. But even with these measures, transformative change is likely to need a stronger push.

Expanded opportunities for labour mobility could widen development options. All three states are eligible for Australian and New Zealand seasonal labour schemes, although expensive airfares relative to larger PICs render their workers much less competitive. This has been recognised in the recently announced Pacific Labour Scheme which will allow up to 2000 workers from Kiribati, Nauru and Tuvalu to work in Australia for a maximum of three years. Additional efforts by Kiribati to increase training for maritime, health care and hospitality workers also boost international competitiveness.

That said, current labour mobility opportunities are too narrow and few to constitute transformative change. The 'microstates labour mobility' pilot scheme is still relatively small and dependent on employer sponsorship. Moreover, while labour mobility and remittances can reduce poverty, there is scant evidence that they promote economic growth which could underpin public investment in much needed services and infrastructure.

Looking to the future, one of the greatest assets of these countries is their very large ocean economic exclusion zones and their substantial tuna fisheries. These states benefit from the Parties to the Nauru Agreement (PNA) — a subregional agreement between the eight tuna-rich nations of the Pacific which has sharply increasing fisheries income over recent years by auctioning access to commercial fleets. Fisheries now account for 32 per cent of Kiribati's GDP (and fully 63 per cent of government revenue) and 36 per cent of Tuvalu's GDP.

Long-term sustainability of the Pacific's tuna fishery — and of fisheries revenue — will require careful strategic planning. Even if well managed into the medium term, current climate projections indicate a likely decline in revenue as tuna migrate away from these countries to cooler ocean environments around 2100. The risks to coastal fisheries are more immediate. Coastal fisheries generate less revenue than tuna fisheries but underpin many local livelihoods and currently supply 50–90 per cent of protein to island communities. Even so, they are largely unmanaged and increasingly degraded.

Challenging times ahead

The above does not necessarily imply that these countries are destined to decline, but does underline the uphill battle for state viability which lies ahead. In addition to constrained economic opportunities outlined above, the degradation of food production systems and increasing food demand is making islanders opt for cheaper, less nutritious foods with deleterious effects. The incidence of non communicable diseases is on the rise. In Kiribati about 50 per cent of people visiting health facilities have diabetes and/or hypertension; obesity was recently estimated at 46 per cent prevalence.

Meanwhile, high rural–urban migration (affecting Kiribati and Tuvalu) is straining urban services, including for health, transport and water, made worse in Kiribati by significantly higher population growth than the other two states. Climate change will further strain services, particularly if urban policy and planning remain an area of neglect. Rising sea levels pose additional salinity threats to water lenses already contaminated by poor waste management. Technology can help with desalination and alternative storage, but the former requires significant energy inputs and the latter is affected by intensifying droughts. These states need to more actively manage urban spaces, particularly when population densities rival those of larger global cities.

Stepping up, or stepping out?

While survival strategies of small island states have been eclectic, they nevertheless appear to have worked reasonably well over the years. But given the evolving demographic, ecosystem and climate pressures outlined above, will they be enough? Certainly, there is still scope for domestic governance to ‘step up’, but survival for these small states likely also involves ‘stepping out’, with increased access to external labour markets, niche export markets, diversified diplomatic and development partnerships, new global technologies — and new ideas.

Permanent migration pathways are one such area requiring new ideas. A previous Kiribati government promoted the concept of ‘Migration with Dignity’ as a safety valve to help achieve sustainable population levels and adaptive capacity to climate change, but the idea needs development to win over more interest throughout the region. At the moment, it is unclear whether it even enjoys the unqualified support of the current Kiribati government. Still, it is an example of the sort of thinking that may be required in the future.

Ultimately, it is likely development partners will have to step up in this and in other areas. If Australia is to live up to its claims to regional leadership, then it has a responsibility to work more closely with all three states to help map out sustainable futures. If a tipping point is approaching, then a much deeper engagement on Australia’s part may be required, and indeed less costly than a last minute rescue. A step change in Australia's role with any, or all, of these three states could involve voluntary arrangements, encompassing mutual obligations, under which free, or at least vastly freer, movement to and from Australia could be offered in exchange for policy reforms and arrangements to deliver more sustainable security and service outcomes, either bilaterally or sub-regionally.

State, Society & Governance in Melanesia

James Batley is a distinguished policy fellow and Meg Keen a senior policy fellow in the Department of Pacific Affairs (formerly State, Society and Governance in Melanesia Program) at ANU. This post was originally published as SSGM in Brief 2017/24.

About the author/s

James Batley
James Batley is a Distinguished Policy Fellow at the Australian National University's Department of Pacific Affairs. He served as Australian High Commissioner to Solomon Islands from 1997 to 1999 and as Special Coordinator of the Regional Assistance Mission to Solomon Islands from 2004 to 2006.

Meg Keen
Prof Meg Keen is the Director of the Australia Pacific Security College at the Australian National University, and was formerly a Senior Policy Fellow at the Department of Pacific Affairs and lead researcher of the Urban Development in Melanesia project.