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AN UPDATE ON FRENCH POLYNESIA

I. POLITICAL ECONOMY OF THE FRENCH CONNECTION TO FRENCH POLYNESIA (FP)

French Polynesia is an overseas territory of France and considered an integral part of the French Republic. FP's territorial Assembly leader, rather than France's High Commissioner in Papeete who is appointed by the French government, is its chief executive. Elections are held every five years for the Assembly and municipalities throughout the territory. FP's currency, the Pacific Franc which it shares with New Caledonia, is pegged to the Euro in a fixed proportion. (One Euro equals 119.3 Pacific Francs.)

While the territory has gained significant economic and financial autonomy over the years, its military, justice, law enforcement, and monetary affairs are under French control. Some of these controls were tightened after the riots following the resumption of nuclear testing in early 1996. The unrest caused widespread damage to both private and public property, especially in Papeete, the capital. With the definitive end of nuclear testing in late 1996, peace and tranquility returned to FP and has prevailed ever since.

The FP economy has gained momentum every year since 1997 and is poised to continue growing in the next few years. Strong economic gain is the result of both direct and indirect support from France for conversion to a more self-sustaining commercial economy since the end of nuclear tests also meant

by
Dr. Wali M. Osman
Vice President &
International Economist



the end of a definitive source of income for FP. The key causes of growth have been French and FP tax and other financial incentives that led to significant increases in both private and public capital spending. This new capital stock is to create the infrastructure that would make FP a more self-sustaining commercial economy in the years ahead.

There is some concern that the end

of this investment spending cycle may bring the economy to a halt. This need not be the case, especially if FP continues to develop its most prized asset, its destination potential, and get the results it has so far. Tourist traffic has risen steadily since 1997 and more of the same is expected over the next few years.

Florida-based Renaissance Cruises has already deployed two 700-passenger ships for inter-island cruises in the territory. Papeete is also the home port for two smaller ships. If the Papeete Autonomous Port, a FP public agency, receives the funds it seeks to expand its facilities over the next decade, there is a good chance that more ships will call Papeete home. Building new hotels in the outer islands, which are less congested and more appealing to tourists from large metropolitan markets, also indicates that FP's tourism industry is taking off more or less according to plan.

With strong French support for the economic conversion which will take years, a new sense of confidence has returned to the local business scene. With income, jobs and tax revenues all up significantly from 1995-96, it almost appears as if nuclear testing never occurred. While both the French and territorial leaders acknowledge that total self-sufficiency for an isolated island economy such as FP is impractical, both have made large commitments to making the territory as self-sufficient as is practical.

The Socialist government in Paris appears unconcerned with French financial support for FP. In fact, the unexpected strength of the French economy would make the French

FRENCH POLYNESIA'S MAJOR ECONOMIC AND FINANCIAL INDICATORS

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Nominal GDP (\$ mil)	3,181.2	3,267.4	3,555.3	3,396.3	3,522.3	3,982.4	3,954.7	3,566.7	4,052.5	3,795.5	3,929.2
Nominal GDP Per Capita (\$)	16,356	16,427	17,505	16,407	16,701	18,566	18,174	16,161	18,068	16,662	16,973
Nominal GDP (mill F CFP)	314,955	335,179	342,496	349,705	355,560	361,417	367,824	378,501	404,886	425,000	446,250
Nominal GDP Growth (%)	3.7	6.4	2.2	2.1	1.7	1.6	1.8	2.9	7.0	5.0	5.0
Nominal GDP Per Capita (000 F CFP)	1,619	1,685	1,686	1,689	1,686	1,685	1,690	1,715	1,805	1,866	1,928
Nominal GDP Per Capita Growth (%)	2.5	4.1	0.1	0.2	(0.2)	(0.1)	0.3	1.5	5.3	3.4	3.3
Real GDP Growth (%)	2.2	4.9	0.9	0.0	0.8	0.5	0.3	1.9	6.2	4.0	4.0
Exports of Goods (mill F CFP)	—	2,398	4,874	8,579	13,033	10,599	15,457	16,481	16,555	21,318	21,851
Imports of Goods (mill F CFP)	—	93,829	86,021	86,095	87,867	91,174	94,481	99,300	116,355	102,972	108,121
French Transfer Payments (mill F CFP)	—	—	86,500	90,500	92,000	98,000	101,000	96,000	94,000	93,500	92,000
Government Revenues (mill F CFP)	—	62,697	63,456	67,582	67,309	75,925	76,416	78,268	89,117	95,301	90,501
Government Spending (mill F CFP)	—	64,108	62,026	64,492	68,035	72,145	74,794	77,081	89,117	95,301	90,501
Revenue-Spending Balance	—	(1,411.0)	1,430.0	3,090.0	(726.0)	3,780.0	1,622.0	1,187.0	—	—	—
Government Revenues/GDP (%)	—	18.7	18.5	19.3	18.9	21.0	20.8	20.7	22.0	22.4	20.3
Government Spending/GDP (%)	—	19.1	18.1	18.4	19.1	20.0	20.3	20.4	22.0	22.4	20.3
Revenue-Spending Balance/GDP (%)	—	(0.4)	0.4	0.9	(0.2)	1.0	0.4	0.3	—	—	—
Consumer Price Inflation (%)	1.5	1.5	1.3	2.1	0.9	1.1	1.5	1.0	0.8	1.0	1.0
Exchange Rate (F CFP/\$)	99.01	102.58	96.33	102.97	100.95	90.75	93.01	106.12	99.91	111.97	113.57
Tourist Arrivals	132,361	120,938	123,619	147,847	166,086	178,222	163,774	180,440	188,933	210,800	240,450
Tourism Receipts (mill F CFP)	—	21,000	21,300	27,100	32,700	32,600	32,200	36,100	39,700	41,000	45,000
Pearl Exports (kg)	599	834	1,158	2,187	2,902	4,387	5,485	4,989	6,050	8,182	7,116
Pearl Export Value (mill F CFP)	3,758	4,424	4,223	7,772	11,908	9,591	14,453	14,658	16,429	19,100	21,000
Population	194,500	198,900	203,100	207,000	210,900	214,500	217,600	220,700	224,300	227,800	231,500
Population Growth (% per year)	2.3	2.3	2.1	1.9	1.9	1.7	1.4	1.4	1.6	1.6	1.6
Payroll Employment	—	51,974	51,252	52,132	52,453	53,317	54,374	57,051	58,998	61,446	63,996
Payroll Employment Growth (%)	—	—	(1.4)	1.7	0.6	1.6	2.0	4.9	3.4	4.2	4.2
Official Unemployment Rate (%)	—	—	—	—	—	—	13.2	—	—	—	—

Source: Bank of Hawaii

government even less concerned about the financial cost of keeping FP afloat. Also, France's links to its Pacific territories are so different from those of other European powers that generalizations inferred from that experience may not be useful. A presence in the Pacific gives France the feeling of global power.

The investment France is making in FP (and New Caledonia) is a small price to pay for maintaining a global posture, and France is doing it the French way: integrating small islands into the large system with the recognition that they can preserve their own identities. With the French economy growing 3-5 percent a year for the next few years, French transfer payments and subsidies to its territories may even rise.

Meanwhile, France's surprise economic strength has begun to be felt. For the first time since the 1970s, the French economy is growing rapidly

enough (3-5 percent a year in real terms) to create new jobs.¹ Since 1997, France has created more jobs than either Britain or Germany. The rate of French unemployment, 10.2 percent now, will drop to a single digit next year, a major development in a major EU economy. France's high-end consumer goods market is among the most dynamic in the world, its financial services sector is more robust than most EU members and its 35-hour work week has miraculously worked better than expected.

The big question in FP now is how long France will support the economic conversion process which appears to be working. Assuming the pro-independence movement (PIM) does not gain more support than it has now, that is, holding a quarter or so of the FP Assembly seats,

¹"Something Odd in France," *The Economist*, April 1st-7th, 2000, p. 18.

France will undoubtedly continue to support the conversion which means economic and financial gains for a few more years. On the other hand, if PIM wins the majority of seats in the Assembly, a highly unlikely outcome, it will necessitate a referendum on a process leading to separation.

II. MACROECONOMIC REVIEW & FORECAST

II.1 INTRODUCTION

Macroeconomic uncertainty in FP arises from the territory's narrow economic base which French financial aid still dominates. Although French transfer payments dropped from their peak levels (averaging 27.3 percent of GDP) in 1995-96 to an estimated 20.6 percent of GDP in 2000, they are the most critical primary source of income for FP.

Transfer payments totaled 98 billion F CFP (27.1 percent of GDP) in 1996, a transition year in which nuclear testing was definitively concluded. They peaked at 101 billion F CFP in 1997 (27.5 percent of GDP) and have since dropped every year, both as a share of GDP and in total amounts. They will continue to drop, but not abruptly and drastically. Civilian

transfer payments which include civil service wages, salaries and benefits, cannot be cut without cuts in the numbers of recipients. Military transfer payments will continue to drop, as provided for in the various economic development schemes in place since the conclusion of nuclear tests in 1996. The medium-term goal is to increase gradually the share of income generated from domestic resources and the infrastructure France is helping to put in place will make that possible. Evidence so far indicates that the conversion process has gone pretty much as expected. In the unlikely event that this conversion fails to produce the desired result and transfer payments drop suddenly, the economy will come to a halt.

Tourism and cultured pearls are important income sources with growth potentials, but they will not replace direct French aid any time soon. Tourist spending will be an estimated 10.1 percent of GDP in 2000, up from 9.5 percent in 1997. There is the expectation that tourism spending will replace transfer payments gradually but in reasonable steps. The goal is to raise the share of production from domestic resources (tourism, pearls and others) from the current estimates of 40-45 percent to 60 percent by 2003. However, as both the French and territorial authorities are careful to explain, this goal is subject to a reasonable level of flexibility.

CHANGES IN EXTERNAL AND DOMESTIC RESOURCES (SPENDING) IN FRENCH POLYNESIA (BILLIONS OF F CFP)

	1989-90	1992	1993	1994	1995	1996	1997	1998	1999
State Transfers	83.0	86.5	90.5	92.0	98.0	101.0	95.7	94.0	93.5
Military	40.0	40.5	41.0	40.0	38.0	39.0	32.7	27.0	21.5
Civilian	43.0	46.0	49.5	52.0	60.0	62.0	63.0	67.0	72.0
Changes in External Public Resources	8.0	1.0	1.5	(1.0)	(1.0)	(2.0)	(4.0)	(1.0)	4.0
Domestic Resources	31.5	35.1	44.1	54.7	52.9	58.1	63.9	68.4	75.8
Tourism	21.0	21.3	27.1	32.7	32.6	32.2	36.1	39.7	41.0
Exports (Pearls)	4.0	6.0	8.5	13.0	10.6	15.5	16.4	16.5	21.3
Retirements	—	5.0	7.8	11.8	9.5	14.1	14.6	15.2	19.1
Retirements	6.5	7.8	8.5	9.0	9.7	10.4	11.4	12.2	13.5
Total	122.5	122.6	136.1	145.7	149.9	157.1	155.6	161.4	173.3
Domestic As % of Total	25.7	28.6	32.4	37.5	35.3	37.0	41.1	42.4	43.7

Source: Charte du Developpement, May 5, 2000

Paris knows that FP will not be self-sufficient any time soon. Nor is there a time table by which a certain degree of self-sufficiency *must* be achieved. The objective of the conversion process is to make FP as self-sufficient as possible. That flexibility leaves room for maneuvering, in the sense that while France is willing to sustain the territory's economy, it also expects it to reach an optimal production level from its own resources.

France's financial aid to build a viable commercial economy in FP is a critical part of its commitment to create a functioning and self-sustaining economy that also provides for a coherent market and social structure. Assessment of FP's economic viability in 2000 is no different from last year. Nor will it be different next year or the year after.

II.2 REVIEW

Most signals indicate that the economy began to grow in 1997, the first full post-nuclear tests year, and it has continued to expand. The most recent detailed (by sector) GDP data are for 1997, and the total GDP figures for 1998-99 are subject to revisions. These figures, along with key primary indicators such as tourist traffic and pearl export value and secondary signals such as employment and public finance, point to robust economic growth in 1997-2000.

Real GDP increased an anemic 0.3 percent in 1996 and a somewhat healthier 1.9 percent in 1997. In 1998, the first full year of the conversion process when hotel building was especially strong, the economy shifted to a higher gear and real GDP increased an estimated 6.2 percent, followed by 4.0 percent in 1999 and a projected 4.0 percent in 2000.² Also in

1999-2000, FP has been the only Pacific island economy that grew at a healthy rate while keeping inflation under control. Inflation has remained subdued, at one percent annual rate in 1997-2000.

With completion of some of the new hotels and renovations of others on Tahiti and other islands, tourist traffic rose 16.8 percent from 180,440 in 1997 to 210,800 in 1999. The Tahiti tourism service authority expects an estimated 240,000 in 2000. The biggest gain in 1997-1999 was in tourists from the Americas which rose 48.9 percent, and US tourists to FP have made up more than 85 percent of all tourists from the Americas in the last few years.

As a result of increases in both cruise ship visitors and regular tourists, total arrivals from the United States alone rose 64.4 percent in 1997-1999. To the extent that cruise ship passengers tend to be older and more affluent, they also contribute more directly and indirectly to the industry and to the economy. The average length of stay does not yet show an increase and it is too early to say whether cruise ship passengers would stay longer.

Tourist traffic from Europe was up only 9.7 percent in 1997-1999, and tourists from Japan decreased 1.1

²The US dollar values of FP's total GDP and per capita GDP in 1999 and 2000 dropped uncharacteristically because the Euro depreciated against the dollar.

FRENCH POLYNESIA TOURIST ARRIVALS

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total Arrivals by Market	139,705	132,361	120,938	123,619	147,847	166,086	178,222	163,774	180,440	188,933	210,800	240,450
The Americas	60,353	50,396	42,978	44,825	55,878	55,561	54,242	54,970	53,811	62,226	80,148	102,250
USA	50,406	42,055	34,289	36,280	47,306	46,772	44,894	43,970	41,908	50,003	68,895	91,000
Canada	5,006	4,124	3,497	3,277	3,309	2,689	2,129	2,044	2,468	2,279	2,502	2,500
Central and South America	4,941	4,217	5,192	5,268	5,263	6,100	7,219	8,956	9,435	9,944	8,751	8,750
Europe	47,596	46,615	44,508	46,076	58,267	71,060	77,735	73,728	83,550	87,340	91,677	96,500
Metropolitan France	20,828	21,097	19,843	19,665	31,986	39,878	48,248	48,578	53,827	55,764	58,705	62,000
Germany	7,324	6,233	7,790	8,472	9,666	10,986	9,095	6,820	6,869	6,259	6,381	6,500
Other Europe	19,444	19,285	16,875	17,939	16,615	20,196	20,392	18,330	22,854	25,317	26,591	28,000
Asia-Pacific	29,509	33,692	31,854	30,893	33,038	38,587	45,435	34,152	42,052	38,413	37,824	40,500
Japan	9,498	14,060	13,795	14,783	16,104	19,917	19,629	9,657	14,411	13,489	14,256	16,000
Australia & New Zealand	15,963	14,995	13,405	11,400	12,373	12,961	18,144	17,911	19,909	17,628	17,069	17,000
Other Asia-Pacific	4,048	4,637	4,654	4,710	4,561	5,709	7,662	6,584	7,732	7,296	6,499	7,500
Other	2,247	1,658	1,598	1,825	664	878	810	924	1,027	954	1,151	1,200
Shipboard Passengers	15,836	4,368	3,749	5,316	5,470	6,145	-	9,492	8,818	6,784	11,197	20,000
Average Length of Stay (all)	—	—	8.3	8.5	10.6	11.1	12.0	11.6	12.0	11.7	11.9	12.0
Tourism Receipts (bill F CFP)	—	—	21.0	21.3	27.1	32.7	32.6	32.2	36.1	39.7	41.0	45.0
Hotel Rooms	2,824	2,824	2,759	2,670	2,955	3,130	3,044	3,075	3,092	3,021	3,420	3,650
Tahiti	1,330	1,330	1,318	1,254	1,183	1,179	1,131	1,131	1,109	1,069	1,298	1,300
Moorea	922	922	965	921	974	995	1,032	1,034	1,074	937	1,000	1,100
Bora Bora	322	322	221	222	449	465	465	485	485	693	800	900
Huahine	112	112	112	132	174	292	218	218	218	100	100	100
Other	138	138	143	141	175	199	198	207	206	222	222	250
Territorial Occupancy Rate (%)	54.6	53.8	51.3	50.7	57.4	59.1	60.0	53.3	54.1	59.0	65.0	67.0
Tahiti	54.5	51.9	51.6	49.6	56.3	59.8	65.5	58.4	53.9	58.0	63.0	65.0
Moorea	—	—	—	—	57.0	57.0	54.0	51.0	53.0	63.0	70.0	75.0
Bora Bora	—	—	—	—	75.0	63.0	64.0	55.0	61.0	66.0	80.0	85.0
Other Islands	—	—	—	—	59.0	58.0	56.0	50.0	54.0	60.0	65.0	65.0

Note: Hotel room and occupancy data for 1999 and all of 2000 figures are Bank of Hawaii estimates.

Sources: Ministère du Tourisme and Institut d'Emission d'Outre-Mer

percent, but traffic from Australia and New Zealand dropped 14.3 percent. As a result of shifts and changes in tourist traffic, the United States is now among the key markets for FP, and US tourists increased from 23.2 percent of total arrivals in 1997 to 32.7 percent in 1999. This trend will most likely continue because Tahiti is more familiar to most Americans than most other destinations, except for Hawaii. In 2000, the tourist count from the United States is expected to surpass 90,000 which would be more than double the number in 1997.

To accommodate the higher numbers of tourists, hotel rooms increased from 3,092 in 1997 to a 3,650 in 2000, with Tahiti accounting for 1,300 rooms. Hotel occupancy rate in FP increased from 54.1 percent in 1997 to an estimated 65.0 percent in 1999 and 67.0 percent in 2000.

The most important indicator of

tourism's economic impact, tourist receipts, also showed gains that are consistent with other tourist figures. Total tourist receipts rose from 36.1 billion F CFP in 1997 to 41.0 billion in 1999 and a projected 45.0 billion in 2000. FP imports most of its consumer goods from overseas markets, mainly France, and rising tourist spending should pay for an increasingly larger share of imports. As tourism grows, it is expected to narrow the export-import gap which now stands at 19.3 percent of GDP, considered high by global standards.

Pearl export value showed a similar trend to tourist receipts but with different underlying parameters at work. In 1997, exports were 4,989 kilo grams, valued at 14.7 billion F CFP. In 1998, exports rose to 6,050 kg and total value grew to 16.4 billion. In 1999, exports increased to 8,182 kg and total value

increased to 19.1 billion. The more important figure, export value per kg, on the other hand, dropped every year from 1997 to 1999. It dropped from 2,938.1 F CFP in 1997 to 2,334.4 in 1999.

The drop in the export value per kg is an important signal and two factors account for it. First are the large increases in quantities exported, especially in 1997-1999 when exports increased 64.0 percent. The second is the slow and frustrating recovery in the key market for Tahiti pearls, Japan. Tahiti pearls are finding their way to the large US market, but they are not familiar to American consumers as they are to consumers in Japan. Recent trade shows and auctions in Hong Kong have certainly helped. Both pearl producers and marketers are now focusing with more resources on the US market. Whether Tahiti pearls will ever be as popular with US jewelers as they are with, say, Japanese jewelers is

something to be seen.

Meanwhile, Tahiti pearl producers have spent a great deal of their resources to establish Tahiti pearls a unique and irreplaceable commodity. If that marketing strategy works, it would probably be helpful in raising prices in the future. However, Tahiti pearl producers are far from forming an effective cartel which would control both production and prices. In the absence of an effective cartel, the price of pearl (export value per kg) will continue to fall as production increases. Production may increase simply because there are more producers. Besides, other players, notably the Cook Islands, are beginning to produce black pearls that may some day challenge black Tahiti pearls.

Gains in tourist traffic, pearl export value and services were also reflected in employment and public finances. Totally payroll employment, the only type for which current statistics are available, increased from 57,051 in 1997 to 61,446 in 1999 and expected to rise to 63,996 in 2000. In 1997-2000, payroll employment increased 4.2 percent a year, more than double the gain earlier in the decade. Public finances continued to show a healthy balance between income and spending. In 2000, the territorial government would have had its third balanced budget.

II.3 FORECAST

The main focus of the economic conversion process is to increase the share of income from domestic resources. Currently, 40-45 percent of FP's GDP is derived from domestic resources (tourism, pearls, etc.) and 55-60 percent from overseas (French) resources. If the process works according to plan, it will raise the domestic share of GDP to 60 percent in 2003. Both GDP and its domestic contributors will have to rise to meet this goal.

Achieving this goal means setting realistic goals for the various industries in stages. Given the territory's greatest

PEARL EXPORTS AND PRICES

	Pearl Exports (kg)	Pearl Export Value (Mill F CFP)	Pearl Prices (F CFP per gram)
1972	—	0.3	215.0
1973	—	2.0	2,518.0
1974	—	13.4	3,454.0
1975	—	8.9	570.0
1976	—	14.7	2,413.0
1977	—	18.2	2,976.0
1978	—	128.7	2,575.0
1979	—	158.1	1,836.0
1980	—	101.9	3,540.0
1981	—	404.8	4,679.0
1982	—	98.7	3,056.0
1983	—	711.8	5,088.0
1984	—	441.3	3,934.0
1985	—	1,392.5	6,745.0
1986	—	997.8	9,584.0
1987	—	2,251.5	5,524.0
1988	—	2,513.3	5,625.0
1989	—	3,790.6	6,090.0
1990	599	3,758.3	6,274.2
1991	834	4,424.3	5,304.9
1992	1,158	4,222.9	3,646.7
1993	2,187	7,771.6	3,553.5
1994	2,902	11,907.7	4,103.3
1995	4,387	9,591.0	2,186.2
1996	5,485	14,453.0	2,635.0
1997	4,989	14,658.0	2,938.1
1998	6,050	16,429.0	2,715.5
1999	8,182	19,100.0	2,334.4

Sources: Institut d'Emission d'Outre-Mer, Institut Territorial de la Statistique & G.I.E. Perles de Tahiti

comparative economic advantage, tourism, and its world-renowned aesthetic resources, greater emphasis is placed on tourism. To make possible the large investments it takes to develop tourism (i.e. building hotels, increasing air-link capacity and other infrastructure such as expanded port and airport facilities throughout the territory), the French government passed a law (known in French as "La Loi Ponce," which translates to "the Law of Ponce") that would offer business tax incentives to invest in FP's infrastructure. This process, giving business the incentives to invest in the market rather than giving government direct aid to spend, is what the French call defiscalization.

The underlying principle here is something curious called supply-side

economics. Looking at the American experience for 20 years now, the French (and other Europeans too) know that supply-side economics works. The Socialist government in Paris has privatized more state-owned enterprises than any of its predecessors. The same program (shifting more of the production economy to the private sector) that has worked in France in the last few years to make the French economy so dynamic, is at work in FP, however small the scale. To make this work, France will continue to find ways to extend the benefits of investing in FP.

The current La Loi Ponce expires in 2002. The French government has indicated in preliminary meetings with FP delegates that it will discontinue this particular scheme in favor of a better one and extend it for as long as 7-10 years. Under La Loi Ponce (and there is also a La Loi Flosse), the tax benefits accrue mostly to high-income businesses and individuals. To make the program accessible to a wider range of businesses and people, the proposed program will extend tax benefits to lower income brackets. This shift, which has its supporters in both FP and Paris, will make it possible to push the program through the French Parliament more rapidly. Now that the French economy is growing, pushing economic legislation that would benefit more French citizens would be easier. Given existing development programs and proposals, the FP economy will grow 4-5 percent in the next 3-5 years.

PACIFIC ISLANDS FACT SHEET

US DOLLAR-DENOMINATED ECONOMIES

	Population	Land Area (square miles)	Notable Geographic Characteristics	Capital/Distance from (miles)	Currency	Major Languages	GDP (US\$ million current)	Per Capita GDP (US\$)	Major Income Sources	Political Status	Major Sources of External Investment	Major Sources of Future Income
GUAM	163,373	212	One island. Major US naval base and regional trans-shipment center at Apra Harbor. In hurricane path.	Agana/Honolulu 3,800 Tokyo 1,600	US dollar	English, Chamorro, also Tagalog, Japanese	3,065.8	18,766	Tourism, military, trade and services	US territory since 1898. Guam Organic Act of 1950 conferred U.S. citizenship. Some push for commonwealth status.	US, Japan, Korea	Tourism, services
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (CNMI)	79,429	177	Saipan the largest island, Tinian and Rota next, 14 others in the chain. 125 miles north of Guam. US territory closest to Asia.	Garapan, Saipan/Honolulu 3,700 Tokyo 1,500	US dollar	English, Chamorro, Carolinian	664.6	8,367	Tourism, garment manufacturing, trade and services	After WWI under Japanese mandate. In 1947 became part of US Trust Territory of the Pacific. Since 1978 a Commonwealth of the US. Islanders are US citizens.	Japan, Korea, Hong Kong, US	Tourism, services
FEDERATED STATES OF MICRONESIA (FSM)	116,268	270	607 islands and atolls, Pohnpei 130 square miles, other major islands Kosrae, Yap and Chuuk. The 4 FSM states span 1,700 miles from east to west.	Kolonia, Pohnpei/Honolulu 3,100 Hong Kong 3,100	US dollar	English, 8 major local languages	230.0	1,977	US payments, government services, fisheries, tourism	After WWI under Japanese mandate. In 1947 became part of a UN Trust Territory. Became sovereign in 1979. In compact of free association with US as of 1986.	US, Japan	Compact status being renegotiated. Fisheries development, tourism
REPUBLIC OF PALAU	18,500	170	343 islands, the main group encircled by a hundred mile reef. Babeldaob 136 square miles. 8 other inhabited islands. Rock Islands.	Koror/Honolulu 4,600 Tokyo 2,000 Hong Kong 1,700	US dollar	English, Palauan, Sonsorolese-Tobian	129.3	6,989	US Compact payments, tourism	After WWI under Japanese mandate. In 1947 became part of US Trust Territory. Became sovereign in 1994, in compact of free association as of 1994. Compact ends 2044.	Japan, US	Compact money, tourism
REPUBLIC OF THE MARSHALL ISLANDS (RMI)	50,840	70	34 coral islands, 870 reefs, highest elevation 33 feet above sea level, average elevation 7 feet.	Majuro/Honolulu 2,300 Guam 1,800	US dollar	English, Marshallese dialects	102.1	2,009	US payments, Kwajalein Missile Range, government services, copra, fisheries	After WWI under Japanese mandate. In 1947 became part of a UN Trust Territory. Became sovereign in 1979. In compact of free association since 1986.	US, Japan	US military. Compact being renegotiated. Fisheries.
AMERICAN SAMOA	58,900	76	5 islands, 2 atolls. Pago Pago Harbor. Home of newest US national park. In hurricane path.	Pago Pago, Tutuila/Honolulu 2,600 Los Angeles 4,800	US dollar	English, Samoan	253.0	4,295	Tuna canneries, government services, remittances from Samoans overseas	US territory since 1899. Samoans are US nationals.	US	Canneries, remittances, US entitlements
TOTAL/AVERAGE	488,632	975					4,430.6	9,067				

NON-DOLLAR ECONOMIES

FRENCH POLYNESIA	226,000	1,609	130 islands, mostly atolls in 5 archipelagoes. Tahiti the largest island, 400 miles square, maximum elevation 7,464 feet.	Papeete, Tahiti/Honolulu 2,800 Los Angeles 4,100 Paris 10,400 Tokyo 5,900	French Pacific franc (F CFP)	French, Tahitian	4,106.8	18,172	Payments from Metropolitan France, tourism, Tahitian pearls	French controlled from the 19th century. Overseas territory of France since 1957. Active independence movement.	Metropolitan France	French transfers, tourism, pearls
NEW CALEDONIA	203,672	7,376	Main island, Grande Terre 250 miles by 30 miles (larger than the Hawaiian Islands together), mostly mountainous. Several small islands.	Noumea/Honolulu 3,900 Paris 10,400 Brisbane 900	French Pacific franc	French, 30 Kanak dialects	3,373.0	16,561	Payments from Metropolitan France, nickel, agriculture and ranching, tourism, aquaculture	1853 became a French possession. Overseas territory of France since 1946.	Metropolitan France	French transfers, nickel, tourism, agriculture, aquaculture
WALLIS AND FUTUNA	14,800	106	2 main islands, highest elevation 2,493 feet.	Wallis Island/Honolulu 2,700 Paris 10,000	French Pacific franc	French, East Uvean, East Futunan	28.7	1,939	French transfer payments, trochus shells	French controlled from the 19th century. Overseas territory of France since 1961.	Metropolitan France	French transfers
PAPUA NEW GUINEA (PNG)	4,150,000	179,490	Eastern half of the island of New Guinea. Largest by far Pacific island-state land mass. Other main islands New Ireland, New Britain and Bougainville.	Port Moresby/Honolulu 4,300 Cape York, Australia 300 Tokyo 3,100 Hong Kong 3,100	Kina	English, Tok Pigin, Hiri Motu, hundreds of vernaculars	4,957.0	1,194	Minerals, oil and gas, forestry, agriculture, tourism	Under Australian & German control before WWI. Administered by Australia after WWII. Independent within the British Commonwealth since 1975. The Bougainville secessionist movement ended by a formal treaty in April 1998.	Australia, UK	Minerals, oil, timber, fisheries, tourism
COOK ISLANDS	19,600	92	15 widely dispersed islands including volcanic peaks and atolls. Rarotonga the largest island 26 miles square. In hurricane path.	Rarotonga/Honolulu 3,000 Wellington 2,000	New Zealand dollar	English, Cook Islands Maori	76.1	3,882	Government aid, services, tourism	Self-governing since 1965 in association with New Zealand. Cook Islanders are citizens of both Cook Islands and New Zealand.	New Zealand	Tourism
SAMOA	168,000	1,158	4 inhabited islands, 5 uninhabited. Highest point 6,100 feet, Mt. Silisili on Savai'i. In hurricane path.	Apia/Honolulu 2,600 Suva 700 Brisbane 2,500	Tala	English, Samoan	199.0	1,185	Agriculture, remittances from abroad, tourism, manufacturing	Under German control before WWI, New Zealand after. New Zealand trusteeship after WWII. Independent since 1962.	New Zealand, Japan	Agriculture, tourism, light manufacturing

PACIFIC ISLANDS FACT SHEET (continued)

	Population	Land Area (square miles)	Notable Geographic Characteristics	Capital/Distance from (miles)	Currency	Major Languages	GDP (US\$ million current)	Per Capita GDP (US\$)	Major Income Sources	Political Status	Major Sources of External Investment	Major Sources of Future Income
FIJI	815,045	7,055	320 islands. Viti Levu 4,000 miles square, Vanua Levu 2,100 miles square. Major islands are mountainous and forested to windward.	Suva/Honolulu 3,100 Sydney 2,000 Tokyo 4,500	Fiji dollar	English, Fijian, Hindi	2,148.9	2,637	Sugar and other agriculture, tourism, forestry, fishing, mining, garment industry	Annexed by Great Britain in 1874. Became independent within the Commonwealth in 1970, rejoined the Commonwealth in 1997.	Australia, New Zealand, EU, Japan	Agriculture, tourism, mining, light manufacturing
KIRIBATI	83,976	266	33 islands scattered 2,400 miles east to west, 1,300 miles north to south. Almost entirely low-lying atolls, Christmas Island the largest.	Tarawa/Honolulu 1,300 Tokyo 3,900	Australian dollar	English, Micronesian	76.0	905	Agriculture (copra), remittances, aid	Annexed by Britain in 1919. A republic within the British Commonwealth since 1979.	NA	Fisheries development
SOLOMON ISLANDS	393,000	11,197	850 mile long double island chain. 6 mountainous main islands, Guadalcanal 2,080 miles square.	Honiara, Guadalcanal/Honolulu 3,960 Port Moresby 900	Solomon Island dollar	English, Solomon Islands Pijin, more than 80 vernaculars	343.7	875	Agriculture, timber sales, fishing and fish canneries, aid	British protectorate as of 1873. Politically independent within the Commonwealth since 1978.	Australia, Japan	Agriculture, fisheries, tourism
TONGA	97,800	386	Main islands volcanic, some 150 coral atolls, 36 permanently inhabited.	Nukualofa/Honolulu 3,100 Brisbane 2,000	Pa'anga	Tongan	177.0	1,810	Agriculture, tourism	British protectorate as of 1900. Independent monarchy within the Commonwealth.	NA	Tourism, agriculture
VANUATU	185,000	4,707	80 scattered islands, several active volcanoes. Largest island Espiritu Santo 1,500 miles square, highest point 6,158 feet.	Port Vila, Efate/Honolulu 3,500 Tokyo 4,100	Vatu	French, English, Bislama	247.0	1,335	Agriculture and ranching, tourism, Offshore Finance Center, services	Anglo-French New Hebrides Condominium in 1906. Republic of Vanuatu within the British Commonwealth established in 1980.	Australia, Japan	Tourism, agriculture
NAURU	11,200	8	A single island with a 100 foot high central plateau of now nearly exhausted phosphate-bearing rock.	Nauru/Honolulu 2,800 Banaba, Kiribati 200	Australian dollar	English, Nauruan	368.0	32,857	Phosphates and investments from phosphates	From 1919 administered by Australia. Became an independent republic in 1968.	NA	Investments from phosphate
NIUE	1,745	101	Coral island rising 65 feet from the ocean and another 130 feet to a central plateau.	Alofi/Wellington 1,800 Suva 800	New Zealand dollar	English, Niuean	6.1	3,476	Subsistence activity, government aid	Self-governing since 1974 in free association with New Zealand.	NA	Tourism
TOKELAU	1,507	4	3 atolls with islets 10 to 16 feet above sea level. In hurricane path.	Nukunonu/Honolulu 2,300 Wellington 3,800	New Zealand dollar	English, Tokelauan	1.2	796	Subsistence activity, government aid	Non-self-governing territory administered by New Zealand beginning 1925.	NA	Subsistence activities, government aid
TUVALU	10,900	10	5 atolls, 4 coral islands, maximum elevation 16 feet above sea level.	Funafuti/Suva 700 Sydney 2,500	Australian dollar	English, Tuvaluan	9.0	826	Subsistence activity, government aid	Independent state within British Commonwealth since 1978.	NA	Subsistence activities, government aid
TOTAL/AVERAGE	6,384,245	213,565					16,117.5	2,525				
GRAND TOTAL/AVERAGE	6,869,555	214,540					20,562.2	2,993				
HAWAII	1,205,126	6,423	4 main islands. Island of Hawaii 4,028 miles square, highest point of Mauna Kea 13,796 feet. Mauna Loa and Kilauea on Hawaii both active volcanoes. Maui 727 miles square, Oahu 597 (Waikiki), Kauai 552. In hurricane path.	Honolulu/San Francisco 2,400 Los Angeles 2,600 Washington 4,800 Tokyo 2,500	US dollar	English	35,146.4	29,164	Tourism, services, trade, government	Annexed in 1898, became a US territory in 1900, became a state in 1959.	US, Japan, Australia	Tourism, defense, services, trade, government

SOURCES: Europa, *The Far East and Australasia*, 2000; Gary L. Fitzpatrick and Marilyn J. Medlin, *Direct-line Distances, International Edition*, New Jersey, 1986; International Monetary Fund, *International Financial Statistics*, March 2000; David Stanley, *Micronesia Handbook*, Chico, California, 1989; David Stanley, *South Pacific Handbook*, 5th Edition, Chico, California, 1993; State of Hawaii Department of Business and Economic Development, *Data Book 1995*,

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For further information, contact Bank of Hawaii Regional Economist Dr. Wali M. Osman at 808-537-8349 (phone), 808-538-4001 (fax) or wmosman@boh.com (e-mail).